

Kao Sustainability Data Book

Kirei Lifestyle Plan Progress Report 2020



Kao




Contents

Editorial Policy	3
CEO Message	4
Kao's Corporate Philosophy	5
Message by Dave Muenz	6
Kirei Lifestyle Plan—Kao's ESG Strategy	7
Stakeholder Engagement	34

How to Use This PDF

The navigation buttons, the category tabs, and the table of contents buttons are located at the right edge of each page for easy page scrolling. The link buttons to relevant pages and external sites are also available in the text.

Navigation buttons

	Click the left arrow to go back one page.
	Click the right arrow to go forward one page.
	Click the return arrow to go back to the previous page.



Category tabs

Click a title to go to the top page of the category.

Click the tab to see the table of contents.



Link buttons

	Click the icon to go to the relevant page in this data book.
	Click the icon to go to the relevant external site.

2019 Our initiatives

Realization of the Kao Corporate Philosophy	36
---	----

Making my everyday more beautiful

Improved quality of life	42
Habits for cleanliness, beauty & health	47
Universal product design	50
Safer healthier products	57

Making thoughtful choices for society

Sustainable lifestyle promotion	60
Purpose driven brands	65
Transformative product innovation	68
Responsibly sourced raw materials	72

Making the world healthier & cleaner

Decarbonization	83
Zero waste	103
Water conservation	117
Air & water pollution prevention	125
Product lifecycle and environmental impact	130
Environmental accounting	132

Walking the right path

Effective corporate governance	134
Full transparency	144
Respecting human rights	146
Human capital development	151
Inclusive & diverse workplaces	162
Employee wellbeing & safety	175
Responsible chemicals management	192

Kirei Lifestyle Plan KPI definitions	202
External recognition	207
Independent assurance report	209
GRI Standards table	210
ISO 26000 table	222
TCFD Index	224



→ Information about our approach to the Kirei Lifestyle Plan is reported on the following webpage:

Kao Sustainability Data Book 2020
www.kao.com/global/en/sustainability/pdf/

Report content

Corporate governance
 Risk and crisis management
 Responsible care activities
 Product quality management
 Information security
 Advanced Digital Technology Strategy
 Intellectual property
 Tax strategies

Biodiversity
 Communication with consumers
 Corporate citizenship activities
 Main corporate citizenship activities of worksites and group companies
 Process Safety and Disaster Prevention
 Major sustainability indicators

Editorial Policy 102-50, 102-51, 102-52, 102-56

Since 2017, Kao has issued the Kao Integrated Report, with the aim of presenting a comprehensive picture of the value that Kao provides. The Kao Sustainability Data Book and Kirei Lifestyle Plan Progress Report 2020 complements the Kao Integrated Report. It introduces various activities aligned with our ESG Strategy, the Kirei Lifestyle Plan, that contribute to the sustainability of the world, along with detailed performance data.

Scope and boundary of reporting

In general, we report the activities of the Kao Group (Kao Corporation, its subsidiaries and affiliates). Environmental and social performance data covers Kao Corporation and its subsidiaries.

Exceptions to this data scope have been clearly stated in the text.

In this data book, “Kao” means the Kao Group. We have stated the names of individual organizations covered if it is necessary to identify the boundary.

Organizations covered



→ List of Kao Group companies
www.kao.com/global/en/about/outline/group-companies.html

Period covered

Fiscal 2019 (January 1, 2019–December 31, 2019)
Some qualitative information includes performance of fiscal 2020.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) have applied since fiscal 2016. Per unit of sales in this data book is calculated based on Japanese standards up to fiscal 2015, and on IFRS in fiscal 2016 thereafter.

Independent assurance

We have had our reports independently assured since 2003. KPMG AZSA Sustainability Co., Ltd. provides independent assurance for this data book. Indicators for which assurance is provided are marked with a [checkmark](#). A list of those indicators is shown in the [independent assurance report](#) and the [GRI Standards table](#).

Issuance period

Issued on: June 23, 2020
Next report scheduled for issue in: June 2021
(Previous issue: June 24, 2019)

Guidelines referenced

- GRI Sustainability Reporting Standards in 2016
 - * The numbers of referenced GRI disclosures are noted next to the title of each page.
- Environmental Reporting Guidelines (2018), Environmental Reporting Guidelines (2012) and Environmental Accounting Guidelines (2005) by the Ministry of the Environment of Japan
- Environmental Accounting Guidelines for Chemical Companies (November 2003) by the Japan Chemical Industry Association
- ISO 26000 (guidance on social responsibility)
- SASB Standards

- SDG Compass
- TCFD Recommendations

Introduction of various informative tools



[Reports]

→ Kao Integrated Report 2020
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/reports-fy2020e-all-002.pdf

→ Kao Sustainability Data Book
Kirei Lifestyle Plan Progress Report 2020
(This report)

→ Kao Sustainability Data Book 2020
www.kao.com/global/en/sustainability/pdf/

→ Corporate Governance
www.kao.com/global/en/about/policies/corporate-governance/

→ Financial Report
www.kao.com/global/en/investor-relations/library/financial-report/

[Websites]

→ Corporate information
www.kao.com/global/en/

→ Investor relations
www.kao.com/global/en/investor-relations/

→ Sustainability
www.kao.com/global/en/sustainability/

→ R&D
www.kao.com/global/en/research-development/

Transforming ourselves to drive change, we will generate significant growth through our distinctive ESG activities “Kirei^{*1} Action.”



I would like to thank you, our shareholders, for your exceptional understanding and support of the Kao Group’s business and corporate activities.

While passing down our *Yoki-Monozukuri*^{*2} spirit, we have been conducting corporate activities aimed at achieving the wholehearted satisfaction and enrichment of the lives of people globally and contributing to the sustainability of the world. It has been 130 years since we launched the first high-quality bar soap produced in Japan. During this time, the society and economic environment have seen dramatic changes, and people’s lifestyles have also changed accordingly. Along with this, we have been transforming ourselves and achieved significant growth.

Yoki-Monozukuri implemented by the Kao Group to date has also pursued environmental consciousness and user friendliness while staying close to society and people and quickly understanding their needs. However, the recent changes taking place in the business environment and society, increase in the amount of information available caused by the digital revolution and the resulting changes in consumer awareness, are unprecedented in terms of their speed and scale. Along with this, social issues beginning with the worsening global environment are rapidly increasing in severity, and the responsibility of global corporations has become even heavier.

Therefore, in FY2019 we declared our commitment to shifting to ESG-driven management. This is not an extension of our existing value of *Yoki-Monozukuri*, but a

way to realize a more sustainable society focused on the future and management efforts to do this.

In addition, we announced our ESG Strategy, the “Kirei Lifestyle Plan,” which further integrates ESG into our business strategy, in FY2019, the third year of the Kao Group Mid-term Plan 2020 (K20).

The “Kirei Lifestyle Plan (KLP)” was established based on the Kao Group’s *Yoki-Monozukuri* spirit to serve people’s needs and desire to live a more sustainable lifestyle. The Kao Group defines this desired life as the “Kirei Lifestyle,” and aims to advance innovations in all aspects of business to contribute even more to society.

Kao continued to grow in FY2019, achieving 10th consecutive year of increases in operating income, 7th consecutive year of record-high operating income and 30th consecutive year of increases in cash dividends.

While staying close to consumers and customers, we at the Kao Group will boldly take on challenges so that we can contribute to the lives of people globally and the sustainability of the world.

I would appreciate your continued understanding and support of the Kao Group’s business and corporate activities.

A handwritten signature in black ink that reads "Michitaka Sawada".

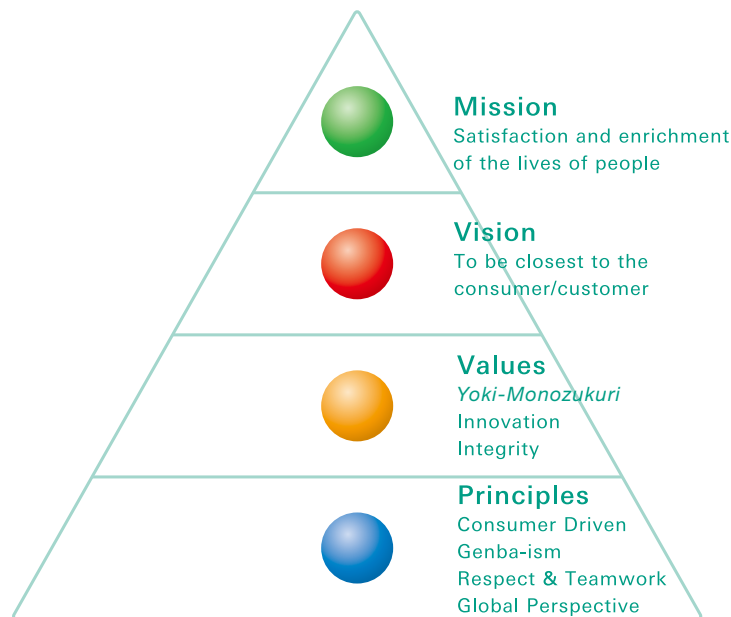
Michitaka Sawada
Representative Director
President and Chief Executive Officer

^{*1} The Japanese word “kirei” describes something that is clean, well-ordered and beautiful, all at the same time. For Kao, this concept of Kirei not only describes appearance, but also attitude—to seek to create beauty for oneself, and also for other people and for the natural world around us.

^{*2} The Kao Group defines *Yoki-Monozukuri* as a strong commitment by all members to provide products and brands of excellent value for consumer satisfaction. In Japanese, *Yoki* literally means “good/excellent,” and *Monozukuri* means “development/manufacturing of products.”

Fundamentals That Support Kao's Value Creation

The Kao Way



Mission

Our mission is to strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of the world, through *Yoki-Monozukuri*, meaning our strong commitment to provide products and brands of excellent value created from the consumer and customer's perspective.

The origins of the Kao Way can be traced back to the company's founder, Tomiro Nagase. In 1887, Tomiro Nagase founded Nagase Shoten, a Western sundry goods store. He launched *Kao Sekken* (Kao Soap) three years later in 1890. His goal was to create a high-quality facial soap and offer it at an affordable price to contribute to cleaner and more comfortable lives for people at the time, when the only choices available were poor-quality domestic soap and high-priced imported soap. This is the origin of our mission "to strive for the wholehearted satisfaction and enrichment of the lives of people."

Values Unique to Kao

The three Values express what we believe in. We do not conduct business or take actions that do not conform with these Values. Above all, we believe in achieving Innovation and *Yoki-Monozukuri* built upon Integrity, and this has become our distinctive foundation.

Yoki-Monozukuri

Yoki-Monozukuri refers to developing innovative products and brands by determining the needs of consumers and fusing them with seeds of our original technologies. We create dynamic synergy by uniting the creativity and energy of every employee and division. The driving force of *Yoki-Monozukuri* is the passion of individual members as the source of our corporate strength. We reinvest the profits earned through *Yoki-Monozukuri* toward the continuous creation of products and brands of excellent value. This cycle of *Yoki-Monozukuri* earns us the respect and trust of all of our stakeholders, thereby achieving profitable growth.

Innovation

We improve and innovate our products, brands and business processes in order to stay one step ahead of changes in consumer lifestyles and the business environment. We proactively seek new opportunities and challenges to always continue moving forward while maintaining a healthy sense of dissatisfaction with the status quo. We regard difficulties as opportunities for self-improvement and continue to grow individually and as a corporation by overcoming them.

Integrity

We treat others with respect and fairness, and pursue our work with sincerity and diligence in an effort to optimize the performance of individuals and the corporation as a whole. We behave lawfully and ethically, and earn the respect and trust of all stakeholders through sound and honest business activities. As a responsible corporate citizen, we seek to ensure the safety of our products and operations, and proactively engage in solving social issues including environmental issues.

Message by Dave Muenz 102-14



2019 was a year of action inside and outside the Kao Group. The Kirei Lifestyle Plan was launched in April as the new ESG (Environmental, Social and Governance) Strategy for Kao, capturing our ambitions to serve the needs and desires of people to live more sustainably through our creativity and innovations. We believe that by adopting an ESG lens in our *Yoki-Monozukuri*, which is our unique way to develop and offer high-quality products to the consumers, we can drive purposeful business that makes life more beautiful. Amidst growing concern about our world from both environmental and social perspectives, the world is demanding change, as we have seen in youths' cry for action across the globe.

At Kao, based on our ESG governance structure founded last year, we focused on identifying actions where Kao can make the most impact. By

leveraging the ESG Promotion Meeting, which includes leaders of many of our key businesses and functions, we worked to build management workstreams within each division so that each would have its own goals, targets and ways to track its progress, and to empower employees to own those actions. Our people are the key to making the transformation necessary to achieve the ambitions set out in the Kirei Lifestyle Plan, which led us to launch the Kirei Lifestyle Caravan, where I personally visit each division for direct dialogue about our ESG aspirations. Moreover, specific target setting, including official approval of our Science Based Target initiative (SBTi) CO₂ emission reduction targets, are helping us further our efforts in tackling climate change.

Key ESG actions continue to be identified and discussed as we speak, a portion of which was announced on

September 26 with the strong resolution of our CEO. We are on an ESG journey that we cannot complete alone—we will continue to explore collaborative opportunities that help amplify the strengths we have at Kao, to achieve the Kirei Lifestyle, for all.

Role and activities of the ESG Committee

The ESG Committee discusses and decides on the overall direction of activities related to our ESG strategy. The committee is chaired by the President and Chief Executive Officer, and its members include Senior Managing Executive and Managing Executive Officers. The committee formulates policies and strategies that are related to ESG activities, identifies ESG issues, risks, and opportunities, and examines the current state of ESG activities. The ESG External Advisory Board consists of outside experts, and gives advice and recommendations to the ESG Committee to bring external perspectives to the management of the company.

Main items deliberated on and approved by the ESG Committee in FY2019

- Establishment of ESG strategies and mid-to long-term goals
- Setting up of the ESG External Advisory Board
- Selection and approval of priority actions
- Internal communication plans
- Creation of new systems to promote ESG

Themes proposed to the ESG Committee by the ESG External Advisory Board in FY2019

- Implementation and promotion of the Kirei Lifestyle Plan within the company
- Methods adopted by Kao to support the realization of ethical consumption by consumers

Kao's support for the recommendations of the TCFD

In FY2018, Kao expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In FY2019, Kao implemented a quantitative assessment of the potential impact of climate change on its business, using several different climate change scenarios. The results obtained in this assessment showed that there was a significant potential impact in relation to crude oil price data, carbon pricing, etc. Kao has already begun taking action to minimize resource usage and realize decarbonization through Reduce Innovation and Recycle Innovation, in line with the Kirei Lifestyle Plan, which embodies Kao's ESG strategy. Kao has utilized TCFD scenario analysis to evaluate the company's ability to respond and adapt to climate change, and the evaluation results will be reflected in Kao's future business strategy.

David J. Muenz
Executive Officer
Senior Vice President, ESG, Global

Kirei Lifestyle Plan—Kao's ESG Strategy 102-16

To achieve our 2030 vision of becoming a company with a global presence, we are building a foundation for sustainable growth with a core focus on ESG-driven management.

Our ESG Strategy, the Kirei Lifestyle Plan released in April 2019, aims to enrich the lives of consumers, and as such is an ESG Strategy shaped from the consumer's point of view and unique to Kao.

Through ESG-driven *Yoki-Monozukuri* based on the Kirei Lifestyle Plan, our ESG Strategy will lead to realizing sustainability for society and increased corporate value.

Philosophy supporting Kao's ESG activities

The Kao Way

Since our founding, we have made it our mission to contribute to sustainability through our business activities. The Kao Way, our corporate philosophy, states, "Our mission is to strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of the world, with products and brands of excellent value that are created from the consumer's and customer's perspective."



→ p. 5 Kao's Corporate Philosophy

Long-term management vision and the Kirei Lifestyle Plan

In 2016, we established our long-term vision to achieve by 2030, and placed ESG at the core of management to build the necessary foundation to achieve our vision. We took this step in the belief that we need to transform our group using the ESG pillars to achieve our everlasting mission set forth in the Kao Way, our corporate philosophy, while adapting to the large changes anticipated to take place in society in the coming years.

Aiming to realize our vision for 2030, we will transform our corporate stance, how we conduct manufacturing, and our perspective to put ESG in practice and through this, increase our corporate value. We will integrate an ESG perspective, starting with the initial stages of product design, into the *Yoki-Monozukuri* manufacturing that we have conducted up to now to elevate it to ESG-driven *Yoki-Monozukuri*.

We released our ESG Strategy, the Kirei Lifestyle Plan, in April 2019 and declared our commitment to conducting specific ESG activities that give consumers a leading role as well as our ambitions for the future.

The Kirei Lifestyle Plan consists of Kao's ESG Vision and Kao's ESG Commitments and Actions to achieve this vision.

Kao's ESG Vision

Kao's ESG Vision is based on the concept that our ESG activities are designed to help people around the world live more sustainably and benefit the wider society and the Earth.

Our value of "walking the right path" is presented as the foundation of our ESG activities and embodies one of the core tenets of our founder Tomiro Nagase,

"Good fortune is only given to those who work diligently and behave with integrity."

Kao's ESG Commitments and Actions

The Kirei Lifestyle Plan includes three main pillars connected to enriching the lives of people, namely "Making my everyday more beautiful," "Making thoughtful choices for society," and "Making the world healthier & cleaner." "Walking the right path" is the foundation that supports these pillars.

Kao Actions, our priority action themes, are set for each pillar as well as our 2030 Commitments, our ambitious goals to achieve by 2030.

We believe that achieving Kao's ESG Vision for society and the environment, where global-scale upheavals are anticipated, will require our resolve to transform ourselves to help bring positive transformation to society. As the importance of governance is growing, we will further strengthen the effectiveness of our governance in line with our core value of "walking the right path."

Individual mid- to long-term targets have also been set for each of the 19 Kao Actions to facilitate effective and reliable activities.

Kirei Lifestyle Plan—Kao's ESG Strategy 102-16

Kao's ESG Vision

A Kirei Lifestyle means living a beautiful life inside and out.
A Kirei Lifestyle is full of compassion.
Where making your own life clean and beautiful never compromises the beauty and cleanliness of the world around you.

A Kirei Lifestyle is enjoying today, with the peace of mind that those joys will be there tomorrow.
It's the chance to express who you truly are, with the confidence that you are walking the right path. Even in the smallest, everyday moments.
That's why, at Kao, everything we do is in service of

this lifestyle.

It's why we do what is right, not what is easy.
We put our innovation and imagination to the task of enriching lives by finding ways for people the world over to live the Kirei Lifestyle.



BY 2030
We will aim to empower all people, at least 1 billion by 2030, to enjoy more beautiful lives — greater cleanliness, easier aging, better health and confidence in self expression



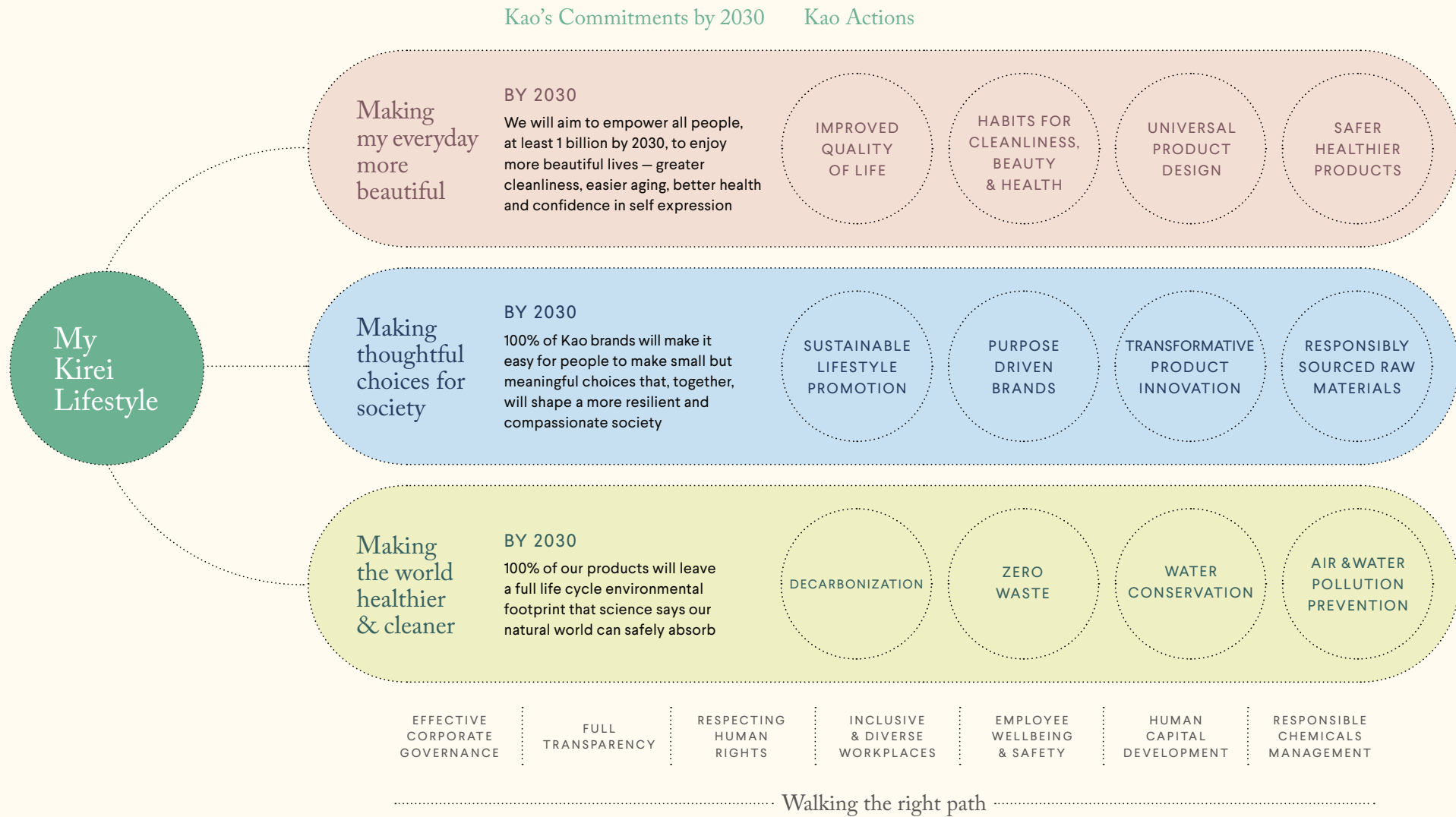
BY 2030
100% of Kao brands will make it easy for people to make small but meaningful choices that, together, will shape a more resilient and compassionate society



BY 2030
100% of our products will leave a full lifecycle environmental footprint that science says our natural world can safely absorb

Kirei Lifestyle Plan—Kao's ESG Strategy 102-16, 102-47

Kao's ESG Commitments and Actions



Business growth through the realization of the Kirei Lifestyle

The objective of our ESG actions and achieving the Kirei Lifestyle through them is creating sustainable and profitable business growth. We believe that our ESG actions taken with the goal of enriching the lives of consumers and realizing a sustainable world will result in business growth and creation of a cycle where generated profit is returned to stakeholders, consumers and the wider society. This is why we have made the Kirei Lifestyle Plan the driver to achieve our management vision.

It is said that technological innovations are needed to address the severe social issues we are facing in the modern era and realize a sustainable world. We have strengths in *Yoki-Monozukuri* that form the framework for the innovative solutions we offer, and we believe that ESG-driven *Yoki-Monozukuri*, which combines innovative technologies grounded in our essential research, will support our sustainable growth and can have transformative impacts on people, the wider society and the Earth.

Beauty and Health, expand their boundaries and further enlarge our business fields based on the Kirei Lifestyle Plan, thereby amplifying our transformative impacts on society, and at the same time, achieving business growth.

The Kirei Lifestyle Plan will also contribute to increasing our corporate brand value and product brand value. The spirit of the Kirei Lifestyle Plan is also integrated into our products, campaigns, programs, communications and other activities. We believe that contributing to enriching the lives of consumers and

to society and environmental sustainability will allow us to gain the trust of consumers and a wide range of stakeholders, earn a strong reputation, and contribute to increasing our corporate brand value.

One of Kao Actions, "Purpose driven brands," strengthens brands' reason for existing as well as contributes to product brand value. We revised our brand design process in 2019 and defined "purpose" from the perspective of the Kirei Lifestyle Plan. We anticipate that this will increase the opportunities for consumers to become more aware of the purpose of Kao product brands in the future.

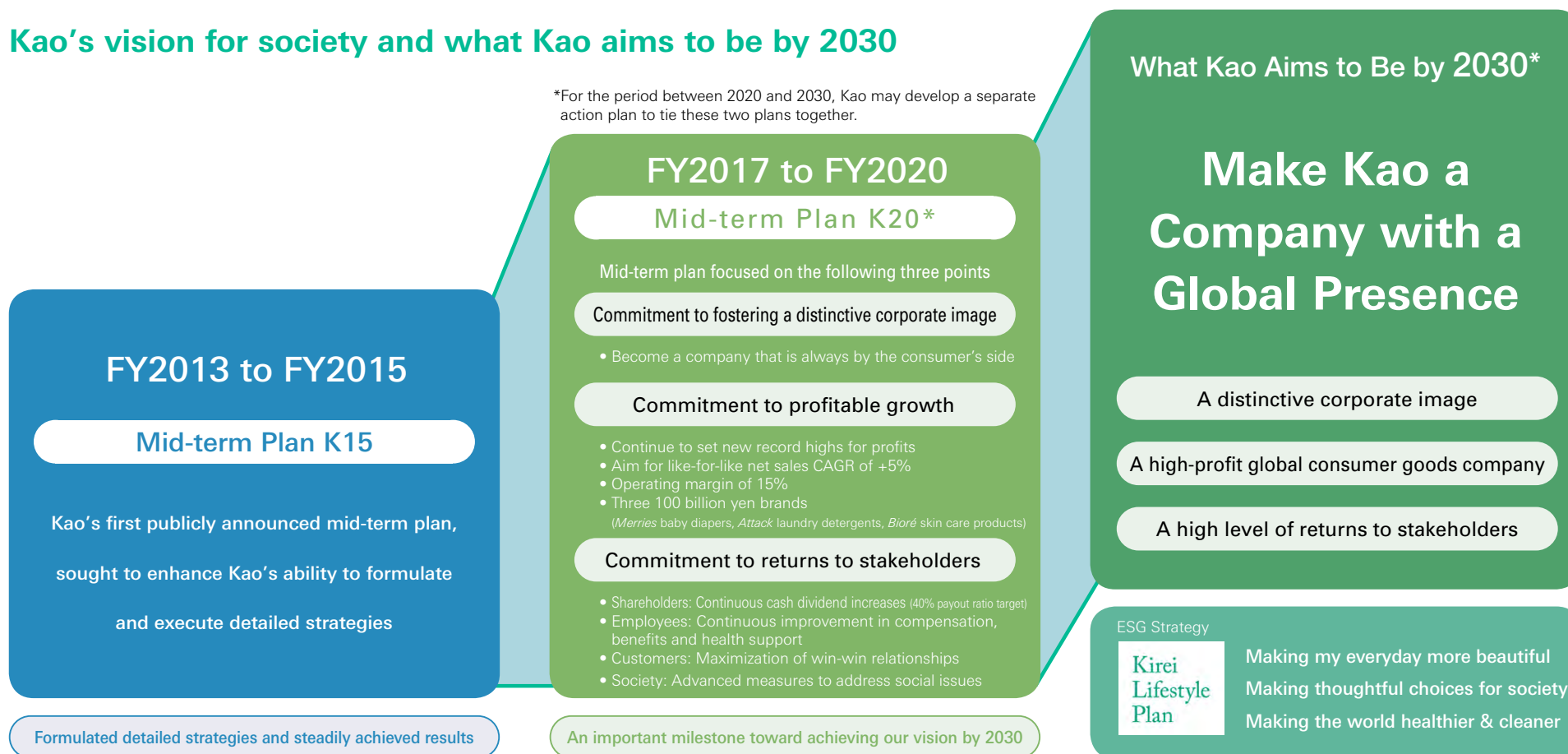


→ Kao Integrated Report 2020
Kao's *Yoki-Monozukuri* (Kao's value creation model)
www.kao.com/content/dam/sites/kao/
www-kao-com/global/en/investor-relations/pdf/reports-fy2020e-all.pdf#page=16

Kirei Lifestyle Plan—Kao's ESG Strategy 102-15, 102-16

Kao's vision for society and what Kao aims to be by 2030

*For the period between 2020 and 2030, Kao may develop a separate action plan to tie these two plans together.



ESG activities to achieve the Kao Group Mid-term Plan 2020 (K20)

- Contribute to the sustainability of society in ways unique to Kao, and communicate to and get feedback from stakeholders as part of these activities.
- Build a profitable growth model by integrating ESG into business activities.
- Provide returns to stakeholders by increasing corporate value and addressing social issues.

ESG activities to achieve what we aim to be by 2030

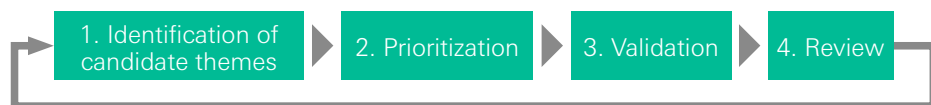
On September 26, 2019, we announced the following as the first set of actions for achieving ESG-driven *Yoki-Monozukuri* and to put the Kirei Lifestyle Plan into practice.

- Priority actions in ESG-driven *Yoki-Monozukuri*
 - Actions toward a society with circularity of plastics: Innovation in Reduction: Innovation in Recycling
 - Actions contributing to improved QOL, etc.: Social innovations
 - Offer new brands that epitomize the Kirei Lifestyle
- Based on the Kirei Lifestyle, deepening our three existing business fields of cleanliness, beauty and health, and expanding the boundaries of these three fields to lead to business field expansion

Selection process for the Kao Actions as material themes

Kao selected the 19 Kao Actions in the Kao ESG Commitments and Actions through the following four steps.

Selection process



Selection of Kao Actions implemented in 2018

1. Identification of candidate themes

1.1 Making a list of candidate themes

We used the following to help identify candidate themes:

- ISO26000
- GRI Standards
- SDGs
- Evaluation items used by ESG assessment bodies
- Global mega-trends
- In-house workshops
- Materiality at other companies
- Third-party opinions

As a result of this process, 78 candidate themes (17 environmental, 37 social and 24 governance) were selected.

1.2 Top management interviews

We held interviews with eight members of top management including representative directors, directors and managing executive officers, and compiled their thoughts and requests regarding Kao's ESG Strategy.

1.3 Region-based workshops

Using a workshop format in the regions of Asia, the Americas and Europe, we identified activities that would simultaneously satisfy business needs, sustainability needs and customer and consumer needs from the viewpoint of our operational sites. We then identified elements in those activities that serve becoming a company with a global presence.

Objectives of selecting the Kao Actions

1. Targeted action in view of changing social circumstances and issues, and the changing expectations for Kao.
2. Strategic implementation of ESG activities based on Kao policy and changes in business environment and strategy.
3. Efficient investment and effective use of management resources.

2. Prioritization

Of the 78 candidate themes identified in 1.1, we asked some external stakeholders and employees to rate their priority in growing our business and increasing our corporate value.

Evaluator attributes

- External stakeholders: 32 (21 Japanese, 11 non-Japanese)
- Employees: 71 (39 Japanese, 32 non-Japanese)

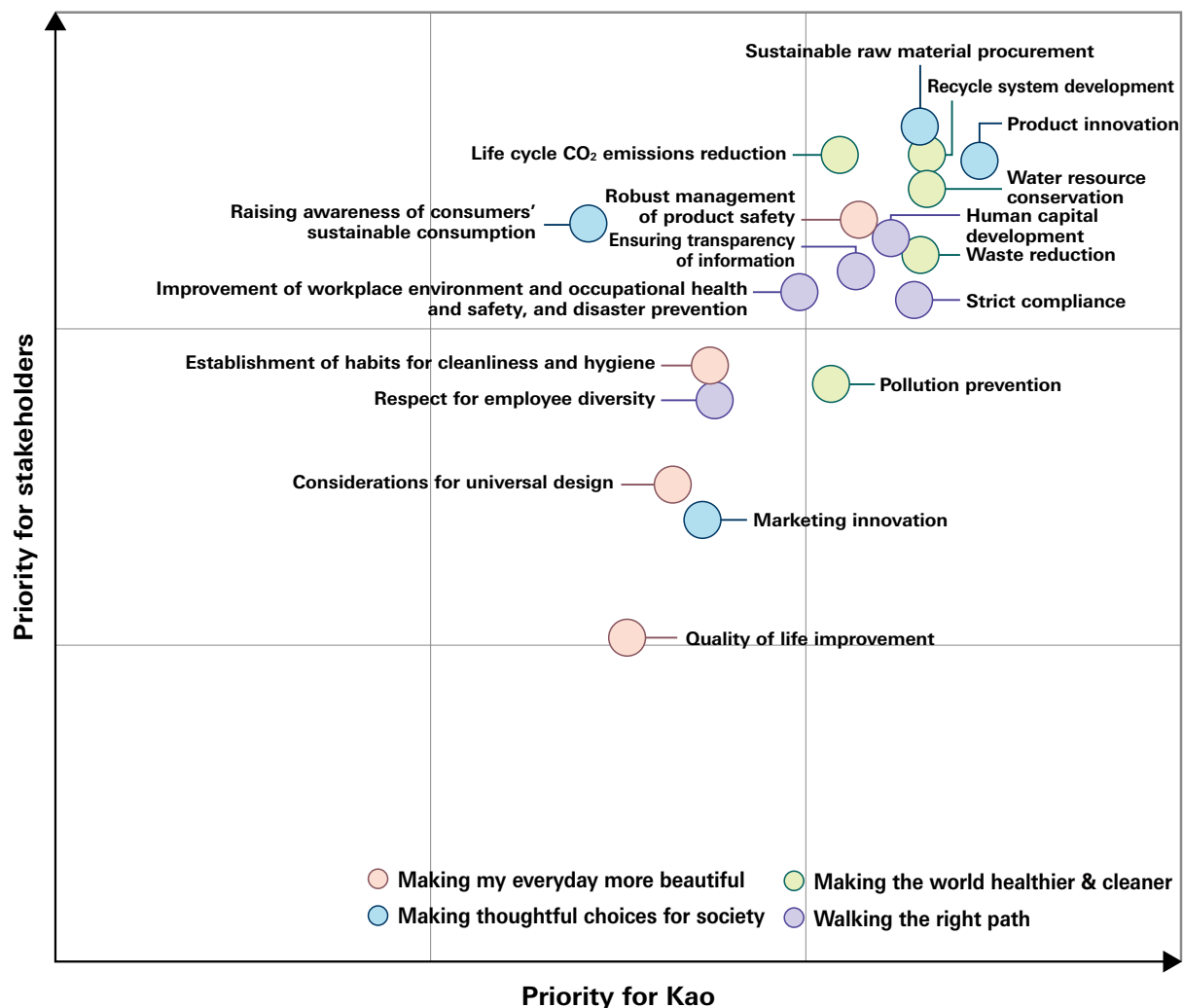
External stakeholders who provided evaluations fall under the following groups:

- Consumers/customers
- Suppliers
- Local community members
- NGO/NPO representatives
- Academics
- Industry body/same industry representatives
- Shareholders/investors

Kirei Lifestyle Plan—Kao's ESG Strategy 103-2, 103-3

We then organized the results of their evaluations in the Matrix of Materiality, which maps materiality along two axes: priority for stakeholders and priority for Kao.

Matrix of Materiality



The ESG Promotion Meeting, attended by division leaders, reviewed materiality based on the results of the evaluations and third-party opinions, and then selected the 19 Kao Actions.

Themes that were not included in the Kao Actions despite being relatively highly rated in the evaluations will be managed and implemented under a separate organization. For instance, “Disaster preparation and reconstruction assistance” was highly rated externally. These themes have been and will continue to be implemented under the Responsible Care Promotion Committee.

3. Validation

The ESG Committee reviewed the 19 Kao Actions selected in the ESG Promotion Meeting, and the Board of Directors approved them.

Based on this, divisions set their own targets and action plans to conduct ESG activities.

4. Review

The 19 Kao Actions will be periodically reviewed and revised using the selection steps 1 to 3.



→ For details concerning the structure, see p. 14, ESG promotion structure.

ESG promotion structure

The ESG promotion structure was updated in 2018 to achieve greater flexibility and resilience in implementation. Under the Board of Directors, the ESG Committee is the body that discusses and decides the direction of activities related to the ESG Strategy. Comprising outside experts, the ESG External Advisory Board provides external viewpoints that are input into our ESG activities. The ESG Promotion Meeting works to achieve the ESG Strategy, and ESG Task Force proposes activities for focus themes, while divisions implement activities.

The ESG Committee consists of members of the management team, and the ESG Promotion Meeting is attended by the heads of business divisions, regions, functional divisions and corporate divisions. These bodies are able to make swift management decisions on ESG matters, and the structure enables divisions with global operations to advance ESG activities.

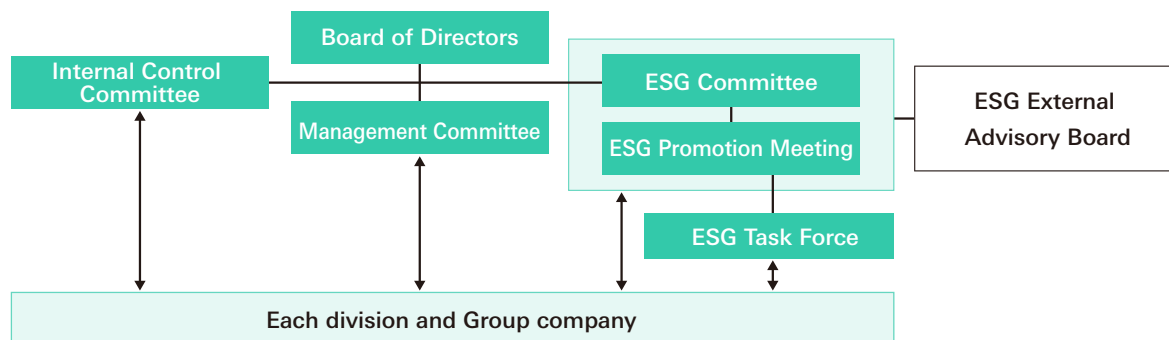
The ESG External Advisory Board is made up of external experts who provide advice and suggestions to issues raised by the ESG Committee and offer

outside viewpoints that are input into management.

While the actions taken across the ESG promotion structure basically relate to all aspects of ESG, placing a primary focus on KLP actions drives strategic ESG implementation.

Through this ESG promotion structure, we gain an understanding of our global ESG activities and make management decisions on strategy, investments and other matters based on their impact on our business and society.

ESG promotion structure



* As of December 2019.

Structure implementing the Kao Actions in the Kirei Lifestyle Plan

- The responsible divisions design the details of the respective actions, devise the mid- to long-term targets, regularly consolidate data on division progress and manage company-wide progress.
- The target divisions devise and implement their division targets and activity plan for each action.

Division promotion structure

- Each division creates its promotion structure. They devise their division targets and activity plan, and implement the PDCA cycle.
- The progress of division activities is reported to the ESG Promotion Meeting, which then gives the divisions feedback including requests to revise plans.
- Global implementation by divisions is the general rule, with support for implementation by individual Kao Group companies provided as needed.

Kirei Lifestyle Plan—Kao's ESG Strategy

102-18, 102-19, 102-20, 102-21,
102-26, 102-29, 102-31, 102-44

Roles, structure and frequency of meeting of each organization

Organization	Roles	Structure	Frequency of meeting	Main deliberated items (2019)
ESG Committee	<ul style="list-style-type: none"> Develop policy and strategy for Kao's ESG activities. Gain an understanding of the issues, risks and opportunities for sustainability of Kao and society and ESG. Deliberate and decide on matters raised in the ESG Promotion Meeting. Confirm the status of company-wide ESG activity implementation and take action accordingly. 	Committee chairperson: President & CEO; Members: Senior managing executive officers, managing executive officers, other executives	Four times/year	<ul style="list-style-type: none"> Establish the ESG Strategy and mid- to long-term targets. Establish the External Advisory Board. Select and approve focused actions. Internal communication plan. Create new systems to drive ESG.
ESG External Advisory Board	<ul style="list-style-type: none"> Give advice and recommendations to the ESG Committee from outside viewpoints. Provide information to the ESG Committee to enable development and implementation of world-class plans. Provide opportunities for collaboration and cooperation with external parties. 	Members: External influential experts <ul style="list-style-type: none"> Lisa MacCallum: Founder of Inspired Companies, specialist in business reforms Rika Sueyoshi: CEO, Ethical Association, specialist in ethical consumption 	Once/year	<ul style="list-style-type: none"> Implement the Kirei Lifestyle Plan internally. Ways Kao can support ethical consumption by consumers.
ESG Promotion Meeting	<ul style="list-style-type: none"> Promote implementation of the ESG Strategy based on the direction decided by the ESG Committee and its directives and suggestions. Confirm the status of ESG activity implementation by divisions and take action accordingly. Establish task forces as necessary to implement focus themes. 	Chair: Person responsible for the ESG Division; Members: Responsible persons at business divisions, regions, functional divisions and corporate divisions	8–12 times/year	<ul style="list-style-type: none"> Establish mid- to long-term targets for the Kirei Lifestyle Plan. Select focused action candidates. ESG-driven <i>Yoki-Monozukuri</i> system design. Confirm the progress of Kao Actions and future plans.
ESG Task Force	<ul style="list-style-type: none"> Establish for individual focus themes when a cross-functional structure is needed. Propose activities based on the detailed plan developed by the ESG Promotion Meeting. 	Members: Staff of the division relevant to the focus themes	As necessary	Set the agenda of issues and create plans to address them.

Message from the ESG External Advisory Board (Lisa MacCallum)



Lisa MacCallum

Founder, Inspired Companies

My Kao experience

My first experience with Kao was as a consumer. I was a young Australian exchange student living in Kyushu. It was 1990 and *Bioré* was a regular brand of choice for a young school girl like me. I also recognized Attack as the laundry powder in every host family's home that I was part of. So I suppose unconsciously, I've had a relationship with Kao for a very long time.

More recently, I've visited Kao's largest factory location in Wakayama. A factory that has a beautiful forest running through it, an innovation lab dedicated to restoring the planet and a floor so clean you could eat off it. I've spent time with engineers, scientists, employees and leaders—people at Kao that I have experienced as genuinely committed to doing the right thing and eagerly looking for ways to “enrich people's lives”.

Clarity of an inspired purpose is a powerful foundation to build from and not one enjoyed by many other companies. Together with a fierce commitment to humanity and the planet, Kao's clarity of purpose will only become more important, as we enter a paradigm shift in business around the world.

An era of business where old ways of working, won't work anymore.

The situation for business today

For a long time now the corporate sector has been defined by the worst of business. Profit maximization and the behaviors that come with it regrettably became normal. Behavior and leadership decisions that for a long time we could mostly get away with.

But the world has changed.

The rise of the digital revolution, social media platforms, global connectivity, human consciousness and the

speed of organizing power have made sure of it. More people than ever can dramatically and abruptly influence the success or failure of major companies today. Customers, employees and a whole range of other business stakeholders have raised expectations, they demand transparency and they can influence major decisions inside our companies overnight now.

As consumers, we trust the opinions of our friends, friends of friends and friends of friends of friends more than we do the marketing and PR of a company. In other words we trust strangers more than business today. The opinions of real people inside and outside our companies matter the most and our logos and advertisements are now only window dressing. The statistics undeniably show that even trusted companies are not trusted today.

What does this rise in power of ordinary people and lack of trust in institutions mean for the future of leadership and business? In short, it means that the most competitive position you can hold today is to *be a company with the world onside*. Proactively advocating for your success on good days, and defending you on your worst days.

Possibilities for KAO

There will always be things in business that we cannot control. As we accelerate into the 21st Century, there will only be more. On the short list of things a company can and will always be able to control is who they are

Message from the ESG External Advisory Board (Lisa MacCallum)

and how they show up. A company's culture. Its "way" of being.

A relentless commitment to humanity and the protection of the planet in the way we run our businesses today is crucial to success. It's what the world expects and anything less is no longer tolerated. This commitment is no longer the job of a single department or reduced to investment in a single project. The commitment must be part of who you are all day, every day.

No company is perfect. Issues and problems will always exist. Competing priorities and limits on investment will be ever present. A long career at one of the most distinctive sports brands in the world taught me that. The best days at Nike made me feel like anything was possible. The worst days (athletes behaving poorly, major supply chain issues, internal politics) were devastating. From all of that experience and everything else since, this is what I know for sure to be true: The best companies stand for inspired ideas, not just products. They lead with a strong set of values, heart and fearless bias for action, not just words. These companies have the conviction and courage to stand up for what they believe in, especially when others shy away.

They are the *Inspired Companies* of the 21st Century. The ones that will outcompete all others because they build trust, brand distinction and competitive advantage

in ways that leave their peer groups behind. They achieve that position because they have the world onside fueling their success. A regular day at an *Inspired Company* looks and feels like this:

You have a mission with many winners.

You execute it with passion.

You're unapologetic in your refusal to be railroaded by existing systems or corporate norms.

You're committed to doing the right thing.

You take direction from your customers, employees and traditional corporate outsiders.

They give you their trust and support in return.

All of your profits are derived from your mission, not from penalizing your customers or other stakeholders.

That's a company with the world onside.

A company we'd all be willing to get behind.

The opportunity to deliver is available to any company paying attention and willing to do the work.

What does this mean for Kao? Well, from where I sit—Kao is perfectly positioned to emerge with even more distinction. Kirei Lifestyle, in its fullest expression, is an idea the world can be inspired by. The best version of it has benefits for everyone—many winners. Your culture and promise to the world is articulated in the Kao Way. Similarly, the best version of it encompasses a shared and company-wide commitment to integrity, humanity

and protection of the planet in a very powerful way.

In Kao's first 100 years, Kao became a trusted, reliable, ethical and respected company.

The legacy for the next 100 years is to build off that foundation and become an *Inspired Company*. The fullest expression of Kirei Lifestyle, with the Kao Way, will combine to lead you powerfully toward that legacy.

I enthusiastically believe this.

But the only thing that matters is if you do.

Message from the ESG External Advisory Board (Rika Sueyoshi)



Rika Sueyoshi

CEO, Ethical Association

Since its founding more than 130 years ago to today, Kao has consistently demonstrated a presence as a leading company amid the constant transformation of social values. While maintaining this tradition, the commitments of the Kirei Lifestyle Plan to drive change focused on the future should inspire other companies in important ways.

Taking the SDGs as an example, where the international community is most focused, taking

comprehensive action and not just actions for specific targets sets an example for other companies in realizing a sustainable society, and Kao has contributed to putting “Transform Our World. No one will be left behind,” the slogan of the SDGs, into practice. Because Kao is this kind of company, we hope to see it truly embody the slogan of the Kao Group Mid-term Plan 2020 (K20), “Transforming Ourselves to Drive Change.”

To achieve this, it will need to go beyond its own perspective of “profitable growth” and take strategies and actions that are impactful on society, keeping in mind the 17 Sustainable Development Goals. Put another way, Kao will need to continue striving to minimize the negative impacts of its business on the environment and society while taking an honest look at them. At the same time, Kao will need to maximize the positive impacts it can have and serve a leadership role in leaving the world a better place for the next generation. By doing what it has done so far and taking this stance in the future, Kao can earn the trust of the next generation—Generation Z, who will help build the society of the next several decades, who are Kao's future customers, and who are also potential employees.

To gain the support of the next generation, who takes a critical look at how companies act and who believes in ethical thinking without question, responsible improvements will be needed while disclosing information to customers with transparency upstream and downstream throughout the entire supply chain. When the Kirei Lifestyle Plan and recited

slogans do not just end at being ideals put forth by the management team but become real-life targets and strategies put into practice by a united Kao, then we think Kao's sustainable future and profitable growth will come into view.

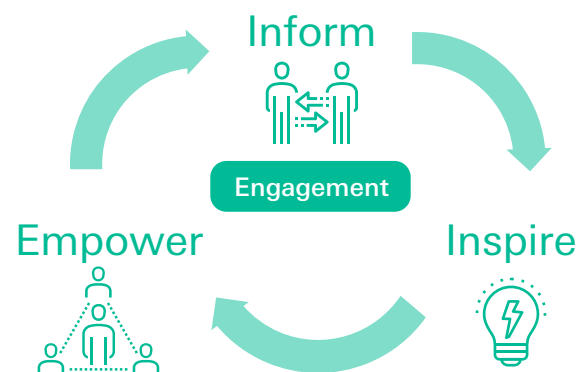
Employee engagement

Our people are the key to making the transformation of the company necessary to achieve the ambitions set out in the Kirei Lifestyle Plan. With the objective to motivate and empower Kao employees to find purposeful meaning in their work with the lens of ESG, our approach to employee engagement is to inform, inspire and empower our people to take action.

Onboarding

With the launch of the Kirei Lifestyle Plan as our ESG Strategy in April 2019, an employee engagement deck outlining why and how we created the strategy, and presenting how it is founded on our corporate philosophy the Kao Way, was shared on our internal portal. This was followed by key message on video by Dave Muenz, Senior Vice President, ESG, Global, distributed globally across the Kao Group.

Three aspects of employee engagement



To create opportunities for taking action

Ensuring that our employees can be kept up to speed with the rapid changes both externally and internally is key for Kao to make long-lasting sustainable impact on society. The Kirei Lifestyle Plan Caravan was launched to create opportunities in each division to have direct dialogue with the head of the ESG Division. In an average two-hour session, employees acquired knowledge on global trends surrounding ESG, the impact and value to the business and what opportunities we can explore to make a difference to society. The initiative is planned to continue into 2020.



Kirei Lifestyle Plan Caravan (Kao Corporation Tochigi Plant, August 30, 2019)

Enhancing sensitivity to ESG

To pursue ESG-driven *Yoki-Monozukuri*, we need to nurture the sensitivity of Kao employees to the evolving values of the society and people. Launched in August 2019, we now have a global ESG newsletter published on our internal portal accessible to every employee. The content is updated on a monthly basis with global ESG trends in and beyond the industry with visuals and crisp headings that are designed to inspire and help employees to explore topics that are relevant to their individual and business setting. The facts and science behind sustainability are not easy to understand, and to help our early adopters to be engaged in this topic at a deeper level, we have conducted four-part KLP study sessions focused on Decarbonization, Zero Waste, Water Conservation, and Responsibly Sourced Materials. With participation on a voluntary-basis, each session had over 30 participants from different functions such as Corporate Communications, R&D, Sales and Corporate Strategy. The sessions helped participants gain a deeper understanding of the science, regulatory and social context to these four important themes that are part of the Kirei Lifestyle Plan.

Kirei Lifestyle Plan—Kao's ESG Strategy 103-1, 103-2, 103-3

Mid- to long-term targets

Individual mid- to long-term targets are set for each of the 19 Kao Actions.

Based on the mid- to long-term targets, divisions set their own targets according to their business activities and in 2019 started activities based on their plans.

We were not able to present some of the 2019 results due to the time needed to revise or reconsider the evaluation methods used, or to build the framework for collecting results. For these targets, our anticipated timing for releasing the information is noted in the table.



→ For more information, please see p. 202, Explanation of Kirei Lifestyle Plan Mid- to Long-term Targets

Mid- to long-term targets for the 19 Kao Actions

Kao Actions	Indicator	2019 Results	Mid- to long-term targets			SDGs
			Value	Year	Base year	
Making my everyday more beautiful						
Commitment	The number of people empowered to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self-expression	Plan to disclose in 2021*1	1 billion people	2030	—	3,5,6,10, 12,14,17,
Improved quality of life	% of new or improved products which contribute to a comfortable, beautiful, healthy life and touch the heart of people	Plan to disclose in 2021*1	100%	2030	—	3,5,12,17
Habits for cleanliness, beauty & health	Coverage of enlightening activities that stimulate habits for cleanliness, beauty & health using Kao products and services (Scope: targeted brands/categories)	Plan to disclose in 2021*1	100%	2030	—	3,6,17
Universal product design	% of new or improved products that meet Kao’s Universal Design Guidelines	44%	100%	2030	—	10,12,17
Safer healthier products	% of targeted ingredients of concern on which views are disclosed	Plan to disclose in 2021*1	100%	2030	—	3,12,14,17
Making thoughtful choices for society						
Commitment	% of Kao brands that make it easy for people to make small but meaningful choices that, together, shape a more resilient and compassionate society	Plan to disclose in 2021*1	100%	2030	—	4,8,9,10,11, 12,13,15,17
Sustainable lifestyle promotion	Coverage of distribution of information, information tools, and enlightening or communication activities for sustainable lifestyle (Scope: targeted brands/categories)	Plan to disclose in 2021*1	100%	2030	—	4,11,12,17
Purpose driven brands	% of Kao brands that make a contribution to solving social issues and that make people feel and sympathize with the brand’s social usefulness	Plan to disclose in 2021*1	100%	2030	—	12,17
Transformative product innovation	Cumulative number of transformative sustainable product innovations launched	2 innovations	10 or more	2030	—	9,12,13,17
	% of new or improved products which meet Kao sustainability guidelines	Plan to disclose in 2021*1	100%	2030	—	
Responsibly sourced raw materials	% of certified paper products and pulp for consumer products	91%	100%	2025	—	8,10,12, 15,17
	Confirm traceability to small oil palm farm	Completed for large plantations	Finish	2030	—	

*1 Conducted the review of detailed requirements in 2019

*2 Built a data collection system in 2019

*3 Conducted review of detailed requirements in 2019 and plan to build a data collection system in 2020

Kirei Lifestyle Plan—Kao's ESG Strategy 103-1, 103-2, 103-3

Kao Actions	Indicator	2019 Results	Mid- to long-term targets			SDGs	
			Value	Year	Base year		
Making the world healthier & cleaner							
	Commitment	% of Kao products that leave a full lifecycle environmental footprint that science says our natural world can safely absorb	Plan to disclose in 2021* ¹	100%	2030	—	3,6,7,12, 13,14,15,17
		Kao recognition or achievement level by external ratings firms	CDP Climate Change A, Water A, Forest (Timber) A-, Forest (Palm Oil) A-	Highest evaluation level	Every year	—	3,6,7,12, 13,14,15,17
	Decarbonization	% reduction in absolute full lifecycle CO ₂ emissions	4%	22%	2030	2017	7,12,13,17
		% reduction in absolute scope 1 + 2 CO ₂ emissions	9%	22%	2030	2017	
	Zero waste	Quantity of innovative film-based packaging penetration for Kao and others per annum	Plan to disclose in 2021* ²	300 million	2030	—	12,14,15,17
		Quantity of waste not for recycling from factories and offices	Plan to disclose in 2021* ²	Zero	2030	—	
	Water conservation	% reduction in full lifecycle water use per unit of sales	6%	10%	2030	2017	6,12,15,17
		% reduction in full lifecycle water use per unit of sales in regions with water scarcity	Plan to disclose in 2021* ¹	40%	2030	2017	
	Air & water pollution prevention	% of factories which disclose VOC and COD emissions	VOC 0% , COD 100%	100%	2025	—	3,6,12,14,17
	Walking the right path						
	Effective corporate governance	Kao recognition or achievement level by external ratings firms	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level	Every year	—	8,16
		Number of serious compliance violations* per annum * Compliance violations that have a significant impact on management and significantly damage corporate value	Zero	Zero	Every year	—	
Full transparency	% of consumer product brands for which people can easily access complete ingredients information	Plan to disclose in 2021* ¹	100%	2030	—	8,12,16,17	
Respecting human rights	% response rate to human rights due diligence (risk assessment across internal, suppliers, and contractors respectively)	Internal: 100%, suppliers: 20%, contractors: 0%	100%	2030	—	5,8,10,17	
Inclusive & diverse workplaces	Affirmative answer rate to a question on “Inclusion and Diversity” on <i>Find</i> , our employee survey with voice of employees	Did not conduct <i>Find</i>	75%	2030	—	5,8,10	
	% of female managers	29.4%	Same % as female employees	2030	—		
Employee wellbeing & safety	Lost time accident frequency rate (per million hours worked)	0.78	0.1	2030	—	3,8	
	Average number of lost long-term work days (days/people) * Starting from Japan	129	105	2030	—		
	Ratio of employees who have lost long-term work days per one thousand employees * Starting from Japan	0.198	0.12	2030	—		
Human capital development	Affirmative answer rate to a question on “Development Opportunities & Climate” on <i>Find</i> , our employee survey with voice of employees	Did not conduct <i>Find</i>	75%	2030	—	3,4,5,8,10	
	Affirmative answer rate to a question on “Engagement/Employer of Choice” on <i>Find</i> , our employee survey with voice of employees	Did not conduct <i>Find</i>	75%	2030	—		
Responsible chemicals management	% of chemical products and raw materials with disclosed information of benefit and safety to ensure safe usage for our customers	Plan to disclose in 2022* ³	100%	2030	—	3,6,12,14,17	
	% of areas where impacts on health, environment and safety from chemicals are managed responsibly and sustainably considering their stages from raw materials procurements to disposal	Plan to disclose in 2022* ³	100%	2030	—		

*1 Conducted the review of detailed requirements in 2019

*2 Built a data collection system in 2019

*3 Conducted review of detailed requirements in 2019 and plan to build a data collection system in 2020

Performance in 2019

Our 2019 performance and returns to business and society are as follows.

Beneficial effects on business

1. Business growth

Effects from eco-conscious products

The consumer business in Japan increased sales 1.8% to 899.6 billion yen, up from 883.9 billion yen. As the ratio of eco-conscious products was the same as the previous year, eco-conscious products are considered to have contributed to a certain extent to business growth. In 2019, the sales ratio of products displaying the “eco together” logo (consumer products in Japan) was 27%, lower than the 29% of the previous year. This is attributed to some refill products not displaying the “eco together” logo even though they met the “eco together” standards. Even without displaying the logo, refill products themselves communicate environmental considerations to consumers, and therefore the ratio of eco-conscious products is considered to substantively be at the same level as the previous year.

Effects from products contributing to resolving social problems

In December 2019, we launched products applying Fine Fiber Technology able to create layered, ultra-thin membranes. Starting with products to deliver a higher dimension of beauty, we are examining commercialization of products using this innovation in a wide range of fields such as health care and medical therapies to help resolve various social issues, which will contribute to business growth.



→ p. 71 Making thoughtful choices for society >
Transformative product innovation: recent major product and technology developments

2. Cost reductions

Economic effects as a result of environmental conservation measures

We received an economic benefit of 4.3 billion yen in 2019. The largest factor was reduced expenses from resource savings, which contributed 2.6 billion yen.



→ p. 132 Making the world healthier & cleaner >
Environmental accounting

3. Risk reductions

Adverse weather events in Japan and other risk factors affecting business performance arose in 2019, but we did not experience significant business losses due to the manifestation of risks arising from social issues.

4. Increased credibility

In February 2020, Kao was selected for the list of the World's Most Ethical Companies 2020® by the U.S.

think-tank Ethisphere Institute. We have been named to the list for 14 straight years since the award's inception in 2007. We are the only Japanese company, and the only manufacturer of fast-moving consumer goods and chemicals in the world, to be honored for 14 consecutive years.

This recognition reflects the fact that the spirit of integrity passed down from our founder continues to be implemented by all Kao Group members in day-to-day operations through practice of the Kao Way and the Kao Business Conduct Guidelines (BCG).

Effects on society

To realize sustainability in society, it is increasingly necessary to quantify corporate value and non-financial aspects, and these areas are being examined by companies and related organizations. In 2018, we conducted a trial evaluation and converted our social impacts into monetary equivalents. We will continue examining the various methods under development and review around the world while collecting information and performing trial calculations.



→ Study on returns to Kao's stakeholders 2017
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/databook-2017-study.pdf

Focus on global mega-trends

Kao is taking measures regarding the 19 Kao Actions set in the Kao ESG Commitments and Actions with a focus on the conditions in international society in which we operate.

Global mega-trends that we monitor (excerpts)

Digital society

The advance of the digital society influences the shaping of virtual communities and people's actions and values. Consumers are predicted to demand greater amounts of information when selecting products due to this trend. Part of "Making thoughtful choices for society" in the Kirei Lifestyle Plan is strengthening communication and marketing by increasing the amount of product information available pertaining to sustainability.

Aging society

Developed countries are already experiencing aging populations, and developing countries are also expected to have aging populations in the future. Universal design is a key solution to help people live more comfortably as they get older.

Ocean plastic pollution

The attention focused on the problem of ocean plastic pollution has grown sharply. This situation can be considered a risk for us, since we use plastics in our packaging, but by implementing the Kao Actions of "Zero waste" and "Transformative product innovation," we can contribute to society by reducing packaging and building a recycling system, leading to increased corporate value.

Climate change

Climate change has been one of the world's highest priority issues for some time and is receiving more attention with each passing year, including from the frequent occurrence of extreme weather events, stalled international cooperation and progressive moves by companies and the financial industry. Suspended operations from extreme weather events and increased costs from strengthened regulations are risks, but the Kao Action of "Decarbonization" will help reduce CO₂ emissions not only in our own operations but also in the activities of consumers and our business partners. As such, by connecting lifecycle CO₂ reductions with "Sustainable lifestyle promotion" and "Purpose driven brands," we believe that more customers and consumers will choose Kao products and that we can increase our business opportunities.

Consumer awareness and consumption behavior

In the context of the advance of the digital society and other social changes, consumer awareness and consumption behavior are undergoing major change. There is a greater degree of personalization and an ongoing shift in values from owning goods to having experiences, with consumers seeking out products and services that they can identify with.

Personalization is connected to the pursuit of

self-expression, and this is a major element making up the Kirei Lifestyle.

The experience value that many consumers have come to demand is in fact realized through "Improved quality of life." Going beyond material satisfaction, we aim to deliver emotional enrichment as well.

The trend of ethical consumption epitomizes how consumers are increasingly seeking out products they can identify with. The Millennial generation and Generation Z, who will become the main consumer groups in the coming years, show a strong inclination for ethical consumption. "Purpose driven brands" will strengthen our brands' reason for existing even more, with the aim of having consumers identify with the story behind the brand and its products.

Kirei Lifestyle Plan—Kao's ESG Strategy 102-12

Contributions to the SDGs

Looking ahead to 2030, Kao is focused on the Sustainable Development Goals (SDGs) that have been agreed upon and adopted by the international community. As indicators for realizing a sustainable society, the SDGs set forth an integrated approach for improving the economy, society and the environment. Contributions by companies are considered extremely important to achieving the SDGs.

As indicated below, we are working to address the Kao Action topics set in the Kao ESG Commitments and Actions with the aim of achieving the SDGs.

The SDGs that the 19 Kao Action topics contribute to

Prioritized actions	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
Making my everyday more beautiful																	
Improved quality of life			●		●							●					●
Habits for cleanliness, beauty & health			●			●											●
Universal product design										●		●					●
Safer healthier products			●									●		●			●
Making thoughtful choices for society																	
Sustainable lifestyle promotion				●							●	●					●
Purpose driven brands												●					●
Transformative product innovation									●			●	●				●
Responsibly sourced raw materials								●		●		●			●		●
Making the world healthier & cleaner																	
Decarbonization							●					●	●				●
Zero waste												●		●	●		●
Water conservation						●						●			●		●
Air & water pollution prevention			●			●						●		●			●
Walking the right path																	
Effective corporate governance								●								●	
Full transparency								●				●				●	●
Respecting human rights					●			●		●							●
Inclusive & diverse workplaces					●			●		●							
Employee wellbeing & safety			●					●									
Human capital development			●	●	●			●		●							
Responsible chemicals management			●			●						●		●			●

Note: Partially revised as a result of revisions to the selection criteria.

Impacts on society through the value chain

Our business activities have various impacts on society through the value chain.

The table below shows the 19 Kao Actions set in the Kao ESG Commitments and Actions, our ESG strategy and their relationship to the value chain.

The items indicate areas where our impact on society is particularly large and where the expectations on us are similarly greater. These are high-priority areas for our business growth and increasing our corporate value.

Relationship between the 19 Kao Actions and the Value Chain

Prioritized actions	Material procurement	Development / Manufacturing	Distribution	Sales	Use	Disposal / Recycling
Making my everyday more beautiful						
Improved quality of life				●	●	
Habits for cleanliness, beauty & health				●	●	
Universal product design				●	●	●
Safer healthier products					●	●
Making thoughtful choices for society						
Sustainable lifestyle promotion				●	●	●
Purpose driven brands	●	●			●	●
Transformative product innovation	●	●			●	●
Responsibly sourced raw materials	●					
Making the world healthier & cleaner						
Decarbonization	●	●	●	●	●	●
Zero waste	●	●	●	●	●	●
Water conservation	●	●	●	●	●	●
Air & water pollution prevention		●			●	●
Walking the right path						
Effective corporate governance	●	●	●	●	●	●
Full transparency	●	●	●	●	●	●
Respecting human rights	●	●	●	●	●	●
Inclusive & diverse workplaces		●	●	●		
Employee wellbeing & safety		●	●	●		
Human capital development		●	●	●		
Responsible chemicals management	●	●	●	●	●	●

Kao's ESG Commitments Pillar 1: Making my everyday more beautiful

Mid- to long-term targets

BY 2030

We will aim to empower all people, at least 1 billion by 2030, to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self expression.



Kao's approach

"Making my everyday more beautiful" is one of the core concepts supporting the Kirei Lifestyle. It is a concept that has driven our business since our founding and one that we believe can be achieved by demonstrating our strengths. We will elevate the *Yoki-Monozukuri* manufacturing that we have conducted up to now with a consumer focus to ESG-driven *Yoki-Monozukuri*.

Kao Actions



Social issues and mega-trends we are aware of

Cleanliness and hygiene serve as the foundation of daily life, but not everyone around the world can access their benefits. For example, an estimated 3 billion people* are not able to properly wash their hands at home (2017). Improving the quality of life remains a challenge even if material goods are abundant. In developed countries in particular, interest is rising in addressing needs associated with an increasingly aging population and the effects of chemical substances on health. When the younger generations, who will become the main consumers in the coming years, choose products and services, they have a stronger inclination to focus on whether the products and services fit with their own values and allow them to authentically express themselves.

* The Sustainable Development Goals Report 2019, UN

Specific approach methods

- Product design and product development with new concepts.
- Consumer education and marketing activities.
- Collaboration with stakeholders.

Returns to society and business

Returns to Kao

Efforts based on providing returns to society also lead to growth for Kao at the same time.

Products that allow consumers to feel greater comfort, that contribute to safety and health, and that offer authentic self expression give consumers a sense of reassurance and trust, which increases customer loyalty. Consumers that then continue to choose Kao products as a result will lead to our business growth.

Not only offering products, but also educating consumers is key to getting habits for better cleanliness, beauty and health adopted. Educational activities provide an opportunity to increase product awareness and allow products to be selected more effectively. Communication also builds trust and enhances our reputation. As such, we believe that communication contributes to business growth.

Trust is placed in us when our products and activities reach people on an emotional level and make people feel that their everyday is more beautiful. This positive reputation then extends from our current consumers to the people in their lives. A larger number of people using Kao products contributes to our business growth, and solid trust placed in us allows us to better withstand reputational risks, which also contributes to business risk reduction.

Through our efforts to create quality products and services, we will make everyday life more beautiful for people around the world. The trust and value people place in us will help further grow our business and increase our corporate value.

Returns to society

Through our products, we directly offer individuals who make up society the following three stages of returns.

1. Pleasant, safer and healthier product use experience

Using products made with universal design considerations allows not just older consumers but all people to live each day with greater comfort. Using safer and healthier products leads to a sense of reassurance and well-being.

2. Adopting everyday habits for cleanliness, beauty & health

For example, when washing hands with a hand soap product becomes a habit that is performed at the right places and times, individuals can maintain cleanliness and hygiene, communicable diseases can be prevented and a building block for a healthy life is created.

3. Improved quality of life

Quality of life encompasses more than just everyday habits. It is a measure of living life with dignity and being authentic to oneself. QOL creates beauty not just on the outside but also on the inside, and helps people have confidence in expressing their authentic self.

Kao's ESG Commitments Pillar 2: Making thoughtful choices for society

Mid- to long-term targets

BY 2030

100% of Kao brands will make it easy for people to make small but meaningful choices that, together, will shape a more resilient and compassionate society.



Kao's approach

"My Kirei Lifestyle" is achieved when your community and the wider society encircling the people who make your everyday more beautiful are sustainable. We at Kao recognize that the choices made by not only ourselves but also our stakeholders including consumers, corporate customers, and our suppliers make a big impact. We make responsible choices throughout the product lifecycle from procurement to transportation. At the same time, by ensuring that Kao brands are meaningful choices for consumers, we will contribute to the sustainability of society.

Kao Actions

We have established brands' purpose as resolving social problems through innovation, and by globally implementing a range of related activities, we will support consumers to lead a sustainable lifestyle. We have established the following Kao Actions concerning society, and are implementing them with a comprehensive approach.



* At Kao, Purpose driven brands are brands that not only deliver on the promise of the brand to the consumer and bring profit to the company, but also brands that contribute to a higher cause, creating positive impact on a broader society and people.

Social issues and mega-trends we are aware of

Ethical consumption, where goods and services created with considerations for the environment and society are chosen and consumed, is growing. According to survey findings, 70% of so-called Generation Z, who will be the main consumers from the 2030s onward, purchase products with ethical consumption in mind, and 65% want to know from what, where and how products are made. In the digital society, this future generation will display a stronger tendency to use information in choosing products and brands.

In the area of environmental considerations, increasing the use of refill and replacement products for example can make a large contribution to resolving the recently highlighted problem of ocean plastic pollution. It is essential that we develop refill and replacement products that consumers and corporate customers will choose, expand their range of use, and educate people on the utility of refill and replacement products.

We must also make responsible choices in all types of raw materials procurement. For example, selecting palm oil that does not cause deforestation when procuring this ingredient for detergents.

Specific approach methods

- Efforts through product design and product development with new concepts.
- Awareness-raising, marketing activities and communication on the sustainability value of products and brands to consumers.
- Collaboration with stakeholders.

Returns to society and business

Returns to Kao

Efforts based on providing returns to society also lead to growth for Kao at the same time.

Giving brands and products specific purpose that is reflected in their sustainable performance and brand policy will gain the understanding and support of consumers and customers, thereby increasing trust and customer loyalty. Consumers that then continue to choose Kao products as a result will lead to our business growth. In the information age, we believe that communicating information on brand and product sustainability to consumers and customers in a variety of forms will lead to further expansion of business opportunities. Incorporating consumer and customer wishes and expectations from society into product development and manufacturing will further enhance the trust placed in us and our reputation, which connects to business growth. "Transformative product innovation" will lead to differentiated Kao products and brands, which will build value propositions unique to Kao. We will drive business growth by offering Kao products with tangible innovation globally.

"Responsibly sourced raw materials" reduces risks in the procurement process. Procurement of non-sustainable materials is more than just a problem for society; it also invites the risks of receiving corrective instructions from authorities or industry groups, suspension of production or product supply, and loss of business opportunities.

Our efforts will contribute to a sustainable society and at the same time contribute to the SDGs. We are confident that this will grow our business and increase our corporate value, which in turn will enhance our global presence.

Returns to society

Returns are provided to society through four actions in the following three areas.

1. Support for consumers and customers to choose sustainable brands and products

Daily necessities are used every day by consumers the world over, and have a large impact on society. With this in mind, creating sustainable products that are chosen by consumers provides returns to every aspect of the environment and society. We will strengthen our communication with consumers relating to our brands' purpose and products' sustainability value to facilitate consumers choosing Kao products and brands. Creating sustainable consumption patterns is key to building a sustainable society.

As standards of living rise in Asia and elsewhere around the globe, rising mass consumption is a concern. We engage directly with consumers and can therefore make contributions to transforming product choices, how products are used and disposal and recycling efforts. Responsible consumption is also an important element of the SDGs.

Business customers that use products offered by our Chemical Business also impact society, albeit to a varying degree depending on their scale, as the chemical products become part of their final products.

2. Building brand and product performance that is chosen by consumers and customers

The foundation of 1. requires building brand and

product performance that is chosen by consumers and customers. The Kao Action of "Purpose driven brands" serves as a milestone for providing returns to society. We will create excellent products with "Transformative product innovation" based on the brand's purpose. By offering "Purpose driven brands," we will encourage our customers and consumers to make small but meaningful choices that, together, make a big impact.

We have been making large investments in creating innovation unique to Kao for some time. We will continue to drive innovation that contributes to meaningful changes throughout society as a whole.

3. Responsibly sourced raw materials

Through responsible raw material procurement in the global supply chain that extends around the world, we will contribute to building a sustainable society.

Kao's ESG Commitments Pillar 3: Making the world healthier & cleaner

Mid- to long-term targets

BY 2030

100% of our products will leave a full lifecycle environmental footprint that science says our natural world can safely absorb.

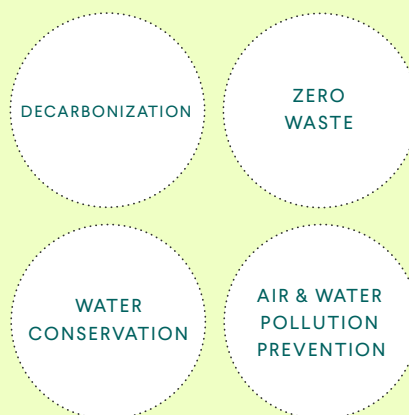


Kao's approach

"Making my everyday more beautiful" is supported by sustainable communities and the wider society. To complete the Kirei Lifestyle, the natural world that encompasses and supports communities and the wider society must also be healthier and cleaner.

Kao Actions

We have set the following Kao Actions concerning social issues related to the global environment, and are implementing them with a comprehensive approach.



Social issues and mega-trends we are aware of

Adopted in 2015, the Paris Agreement creates a global framework for reducing greenhouse gas emissions. Nevertheless, average temperatures are continuing to rise, and the damage from frequent extreme weather events is only getting worse. As various research findings have become known, the problem of ocean plastic pollution has taken on urgency. Reducing waste and building a recycling system in the wider society will require cooperation from actors in various fields. We are now at the stage where limited efforts are beginning to ramp up, and it is expected to take time before we achieve an ideal situation. Water resource conservation is imperative not only to sustain life for human beings but for all living creatures. Water scarcity is predicted due to future population increases and climate change, and is a grave issue that can lead to conflict. We need high-quality water to manufacture our products, and consumers and customers also need high-quality water when using our products. Water is inseparable from our business activities. Some success with preventing air and water pollution has been achieved in developed countries, but pollution remains a serious issue in developing countries. Preventing pollution in living spaces is also attracting attention.

Specific approach methods

- Product design and product development with new concepts.
- Consumer education and marketing activities.
- Collaboration with stakeholders.
- Approaches to governments and international organizations.

Returns to society and business

Returns to Kao

Efforts based on providing returns to society also lead to growth for Kao at the same time.

Environmental problems have a large negative impact on society. Therefore, our various actions to reduce environmental impact reduce our risks and lead to business growth.

It is also important that we identify region-based risks that may create serious environmental impact in local areas. Controlling these risks and enhancing our credibility and reputation through robust internal controls will provide expanded opportunities for consumers and customers to choose Kao products and brands. According to survey findings as well, many members of Generation Z, who will be the main consumers from the 2030s onward, especially prioritize sustainability and environmental considerations when choosing which daily necessities to purchase.

Environmental impacts are a result of fuel, water, chemical substance or other input. Efforts to reduce these inputs also lead to reduced costs.

Through these actions, we are contributing to maintaining a healthier and cleaner world. At the same time, we are gaining an understanding of how natural capital leads to business growth and improves our corporate value, and using this understanding in management decisions. Using scenario analyses based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), which Kao supports, we are quantitatively evaluating impacts on our business to facilitate making management decisions resilient to climate change and other risks.

Returns to society

1. Decarbonization

We are working to reduce CO₂ emissions in terms of the product lifecycle. The stages of use and raw material procurement account for approximately 80% of all Kao lifecycle CO₂ emissions. Therefore, by selecting raw materials with lower CO₂ emissions and offering products that require less water and less electricity during use, for example when using a washing machine, we can contribute to reducing CO₂ emissions in society.

While CO₂ emissions from production activities at our plants and from our offices do not account for a large proportion of our total emissions, we are still proactively working to reduce these emissions. We believe that actively working to reduce emissions as a leading consumer products company is not only beneficial for our own CO₂ reductions, but also increases the momentum to reduce emissions in society as a whole.

2. Zero waste

We are reducing the amount of plastic we use in our packaging, replacing the materials we use, and building collection and recycling systems. These are some of the ways we are contributing to resolving the problems of waste, its illegal dumping and landfill use, and ocean plastic pollution. The problem of ocean plastic pollution is a global-scale problem that requires the cooperation and collaboration of society as a whole. This is no easy task, but the returns will be great if we can collectively solve this problem.

3. Water conservation

The perspective of the product lifecycle is important for reducing water consumption. Kao supplies many cleaning products that require water during use, and consequently, producing water-saving products can lead to reduced water consumption throughout the world.

In addition, the use of water during production in plants also has a certain impact on the vicinity of the plant, so we are taking action to reduce water consumption during production as well.

4. Air & water pollution prevention

Kao products use chemical substances including natural compounds. We are reducing air and water pollution from chemical substances produced from manufacturing processes and product use, and minimizing the impacts on human health and the natural world. Some of the specific initiatives we are implementing are reducing gas emissions and improving water treatment technologies during manufacturing processes, and ensuring the biodegradability of cleaning ingredients.

Foundations of Kao's ESG commitment: Walking the right path

Kao's approach

"Walking the right path" is the supporting foundation for "My Kirei Lifestyle." We will create corporate governance systems and a corporate culture so that all Kao employees can walk the right path at all times. By ensuring that our business activities are conducted with sincerity and integrity, we will help people around the world lead beautiful lives. Our activities to achieve "Effective corporate governance" consist primarily of compliance activities given priority for the implementation of effective governance.

Kao Actions

We have established and are implementing the following Kao Actions for governance and our corporate culture.



Social issues and mega-trends we are aware of

The importance of compliance is growing amid an unending stream of corporate misconduct coming to light. Survey findings indicate that approximately 80% of Generation Z avoid purchasing products from companies involved in misconduct.

The importance of information disclosure based on transparency is increasingly expected in both financial and non-financial areas. For example, the publication of the recommendations from the FSB Task Force on Climate-related Financial Disclosures illustrates that specific, detailed non-financial information has become meaningful input for decisions related to investing and corporate ratings.

Human rights involve contributing factors that are not readily solvable, such as poverty, political instability and migration of the labor force. Many of these issues must still be addressed. Risks are rising due to the increasingly global nature of company activities and the growth of the supply chain.

Returns to society and business

Returns to Kao

Reliable implementation of “Effective corporate governance” and “Full transparency” provide returns to Kao, namely reduced risk, increased trust, and an enhanced reputation.

Communicating accurate information to consumers about our brands and products leads to greater reassurance and trust, and expands opportunities for consumers and customers to choose Kao brands and products.

We implement thorough *Yoki-Monozukuri* and ensure that workplaces comply with laws and ethics based on “Effective corporate governance.” Through “Full transparency,” we accurately communicate the results of these efforts to consumers and society, which then builds increased reassurance and trust, and creates greater opportunity for consumers and customers to choose Kao brands and products.

Human capital is indispensable to elevating who we are and what we do. Through the Kao Actions involving employees and workplaces, we will develop highly skilled and motivated employees, develop our global operations necessary to achieve our vision by 2030, and promote innovation, which will lead to business growth.

Based on “Responsible chemicals management,” offering consumers and customers products containing chemical substances as a company with extensive knowledge of the efficacy and risks of chemical substances, and managing chemical substances across the lifecycle based on risk, builds greater trust in us and leads to higher corporate value and business growth.

In addition, by appropriately disclosing our company activities based on “Walking the right path,” stakeholders can gain a deeper understanding of our ESG activities. This encourages cooperation on efforts for a sustainable society based on relationships of mutual trust.

Proper assessments of our ESG activities from stakeholders raise the level of our activities and drive business growth.

Returns to society

“Walking the right path” is the foundation that supports the three pillars of “Making my everyday more beautiful,” “Making thoughtful choices for society,” and “Making the world healthier & cleaner.” By “Walking the right path,” we will earnestly carry out the Kao Actions set for each of these three pillars and further build on them, which will create strong returns for the wider society.

“Effective corporate governance” helps us achieve efficient, sound, fair and highly transparent management, while “Full transparency” encourages us to communicate our situation and philosophy to society and to embrace expectations from society in what we do.

The actions involving employees and workplaces are essential to ensuring we carry out our basic activities as well as actions that will bring about social transformation. Innovative activities require the capacities of highly skilled and motivated employees.

Furthermore, “Responsible chemicals management” ensures that we can supply safe and reassuring products to society by reliably managing chemical substances responsibly as an enterprise that provides value through chemicals.

Each of the Kao Actions for “Walking the right path” is a foundation of the three pillars of the Kirei Lifestyle Plan will contribute to improving individuals’ lives, further building on our actions for society, and positively impacting the environment to realize a sustainable world.

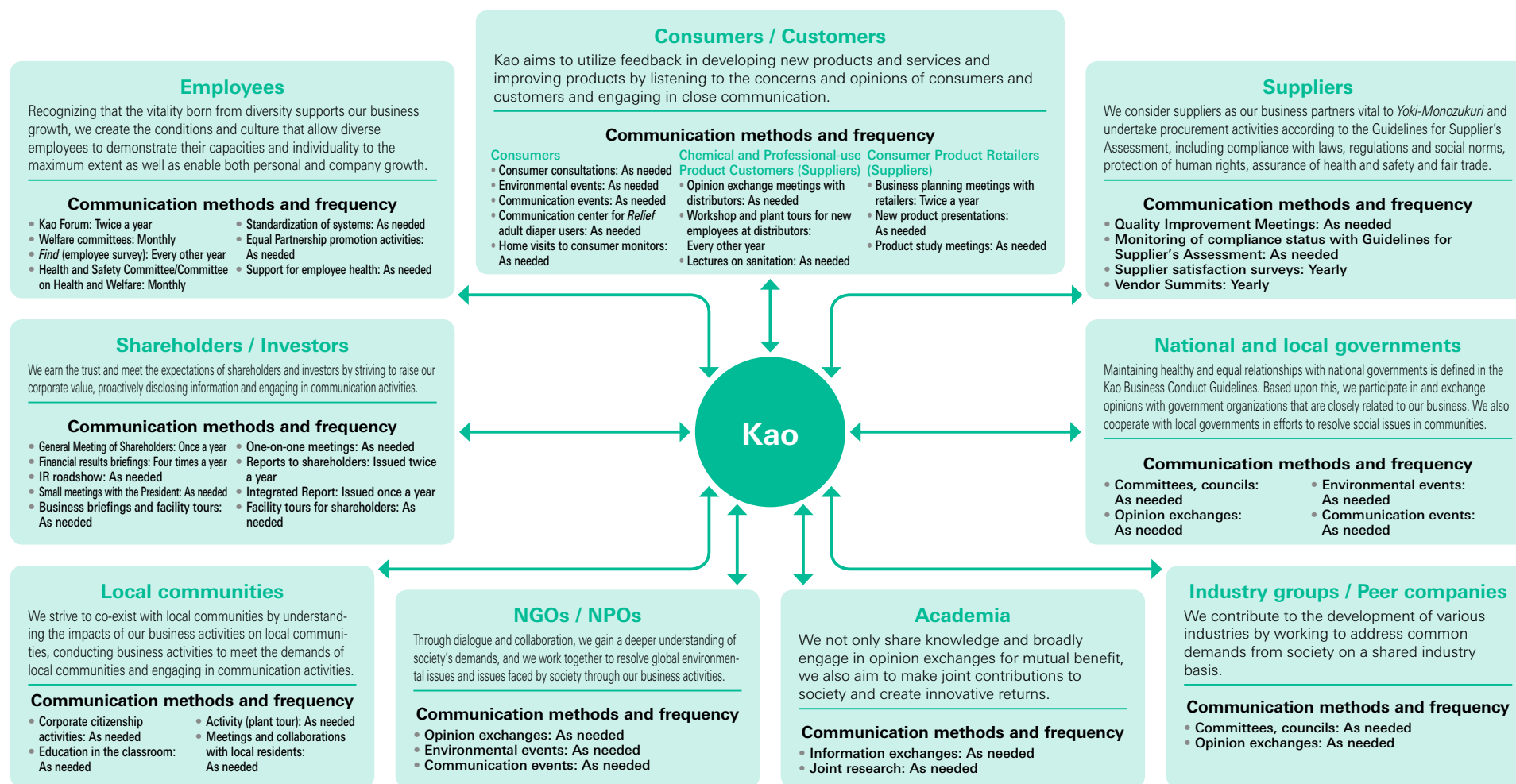
Stakeholder Engagement 102-40, 102-43

Kao's important stakeholders include consumers and customers as well as suppliers, employees, local communities, national and local governments, non-governmental and non-profit organizations (NGOs/NPOs), academia, industry groups and peer companies, and shareholders and investors.

In the Kao Way, our corporate philosophy, we define our vision as this:

"We aim to be the global group of companies that is closest to the consumers and customers in each market, earning the respect and trust of all stakeholders."

Through two-way communication with stakeholders, we deepen mutual understanding and provide information useful to society and daily life, and use feedback we receive to improve our corporate activities and services.



2019 Our initiatives

Realization of the Kao Corporate Philosophy	36
Making my everyday more beautiful	41
Making thoughtful choices for society	59
Making the world healthier & cleaner	82
Walking the right path	133
Kirei Lifestyle Plan KPI definitions	202
External recognition	207
Independent assurance report	209
GRI Standards table	210
ISO 26000 table	222
TCFD Index	224

Realization of the Kao Corporate Philosophy 102-12, 102-15, 103-1

The Kao Way embodies our corporate philosophy and is the foundation for our corporate culture and business activities. It is the source of our unique corporate identity and forms the essence of our corporate brand. As our cornerstone, the Kao Way provides consistency to Group activities, aligning our mission, purpose, culture, growth strategy and day-to-day decisions. Kao Group companies and members share the Kao Way not as a manual or set of rules but as a foundation from which we are able to determine both the meaning of our work and the concerns we share.

Kao's creating value to address social issues

Social issues we are aware of

Since our foundation, our reason for existing has always been to enrich the lives of consumers and contribute to society through our core value of *Yoki-Monozukuri*. *Yoki-Monozukuri* is the word we use to communicate our strong commitment to providing products and brands of excellent value for consumer satisfaction. The “*Yoki*” in *Yoki-Monozukuri* literally means “good” or “excellent.”

Although our purpose and corporate identity have not changed, over the years our understanding of what constitutes a “*yoki*” product, brand or business has evolved. As explained in the Kirei Lifestyle Plan, we believe that to live our value of *Yoki-Monozukuri* we must not only develop high-quality products at reasonable prices that meet the needs of consumers around the world, but also manage our business so that we are “*yoki*” for the environment and a positive presence in the societies we serve.

Kao's creating value

We believe that by strengthening our corporate identity as a values-driven company committed to enriching lives through *Yoki-Monozukuri*, we will not

only be able to grow our group business by meeting the needs of consumers and customers, but also support economic growth in the regions in which we operate. In addition, we believe that our commitment to *Yoki-Monozukuri* promotes technological innovation in the consumer goods and chemicals industries and enables us to contribute to the sustainability of the natural world.

Risks associated with achieving our goals for 2030

By 2030, we aim to create a corporate image of a company with a global presence. We understand that to achieve this goal we must develop a unique corporate identity and earn the respect and trust of all our stakeholders. We consider employees to be an especially important stakeholder in achieving this goal. Without the trust, creativity and passion of employees who embrace our corporate philosophy and align their actions with our core values, we will not be able to earn the trust of external stakeholders or achieve our goal of becoming a positive presence in the global society by 2030. Therefore, we believe that it is critical to invest in communicating our corporate identity to employees to further establish

the Kao Way as a “common language” across the Kao Group.

Opportunities associated with achieving our goals for 2030

The Kao Way is based on the values of our founder, Tomiro Nagase, who established Kao in 1887. The Kao Way was translated into various languages in 2004 and established as a framework for developing our global corporate culture the same year. These early efforts created a strong foundation for global communication of the Kao Way. We believe that this foundation will enable us to further strengthen our corporate identity and the values-based corporate culture required to achieve our 2030 goals.

Contributions to the SDGs



Policies

We believe that the best way to strengthen our unique corporate identity is not to enforce a uniform set of behaviors on employees but rather to create the opportunity for each member of Kao to reflect on his or her own values and how they connect to the Kao Way. It is critical to our internal branding strategy that employees are empowered to make their own connections between the abstract language of the Kao Way and their day-to-day business decisions.

To support this, we conduct workshops at workplaces across the Kao Group where participants can freely discuss what the Kao Way means to them and how they can practice it in their daily work. These workshops strengthen each team's sense of ownership of the Kao Way and facilitate employee resonance with our corporate identity.

We provide a standardized level of basic information and training on the Kao Way. However, leaders across Kao Group divisions and companies are also encouraged to customize Kao Way sessions to align with their particular business and organizational challenges. The Kao Way Coordinating Office at our Head Office provides program materials and advice to leaders who wish to design customized workshops.

Education and Promotion

The Kao Way was published in 2004, and Kao Way communication activities have been conducted on an ongoing basis since then. Kao Way communication activities have three goals, with programs designed to address each goal.

Objective No. 1: Fostering understanding of the Kao Way

The first goal is to achieve a basic understanding across the Kao Group of the content of the Kao Way and the importance of the corporate philosophy in our management.

Objective No. 2: Leadership development

The second goal is leadership development, which we define as helping managers find a leadership style that is both based on the Kao Way and authentic to them. Managers drive our business forward, and as such they must have a strong sense of ownership of the Kao Way and be able to explain their decisions using language from the Kao Way. They must also acquire the habit of referring back to the Kao Way when faced with business challenges and difficult choices.

Objective No. 3: Cultivating organizational culture

The third goal is cultivation of our organizational culture. We communicate the Kao Way and our heritage to impress upon employees that we have always been a values-driven company committed to enriching lives through *Yoki-Monozukuri*. We also

encourage employees to communicate globally across functions to share their ideas about how we can continue to exist as a purpose-driven organization.

Realization of the Kao Corporate Philosophy 103-2

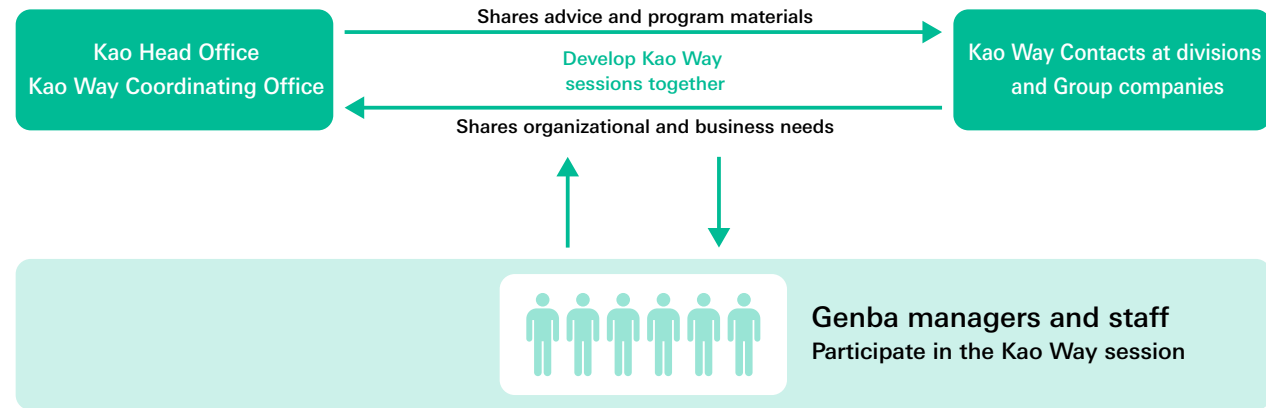
Framework

We believe that managers play a key role in developing talent and cultivating a corporate culture based on the shared values of the Kao Way. In accordance with this belief, divisions and group companies are positioned as the owners of Kao Way communication activities.

The Kao Way Coordinating Office supports managers within and outside Japan by maintaining a network of Kao Way contact persons at divisions and group companies. These “Kao Way contacts” share organizational and business needs with the Coordinating Office and work with it to develop programs customized for their division and company. The Coordinating Office communicates its priorities and strategy with the members of this network at an annual global meeting, and remains in frequent contact with them throughout the year.

The Kao Way Coordinating Office reports to the Senior Vice President of Corporate Communications. It presents an annual report on its activities to the Corporate Committee, and the content of this report is shared with the Board of Directors.

Framework for promoting Kao Way activities



Mid- to long-term targets and performance

Mid- to long-term targets

We intend to continue communicating the Kao Way globally in order to strengthen our unique corporate identity and develop values-based leadership across the Kao Group. By more firmly establishing our corporate philosophy as a “common language” across the Kao Group globally, we expect to strengthen employee resonance with our corporate identity and, as a result, earn the respect and trust of all stakeholders.



Expectations from achieving our mid- to long-term targets

Business impact

Realizing our goals will result in more efficient use of employee time and more thorough, creative and brand-consistent use of our group assets. Although it is difficult to directly measure the return on investment of corporate culture and values communication, research findings show that investing in a corporate brand in this way is correlated with stronger financial performance.

Social impact

Strengthening values-based leadership and employees’ resonance with our unique corporate identity heightens our ability to practice our core value of *Yoki-Monozukuri* on a global scale, creating innovative value for consumers and at the same time contributing to the environment and becoming a positive presence in the societies we serve.

Performance in 2019

Performance

We have focused on activities to communicate the Kao Way globally for 15 years. As a result of these efforts, we have achieved a strong level of shared, group-wide understanding of the Kao Way, with manager recognition for the importance of values-based leadership.

In 2019, we continued to focus on the three goals of establishing understanding for the Kao Way, developing leadership and fostering an organizational culture to practice *Yoki-Monozukuri* globally. Regionally, priority focus areas in 2019 were the Consumer Products Business in the Americas and EMEA, the Consumer Products Business in Southeast Asia and the Chemical Business in the Americas.

In 2019, The Kao Way Coordinating Office identified the following three priority issues to address.

- 1 Strengthen the ability of Kao Group leaders to communicate mid-term business goals and financial targets in a way that links them to our corporate philosophy.
- 2 Make further efforts to ensure that companies newly joining our group incorporate the Kao Way while also preserving their original and distinct organizational cultures.
- 3 Collaborate with internal and external partners to establish methods of assessing corporate culture across our group and measuring the success of our communication efforts.

Observation of progress made

For 1: At annual global meetings, executive training sessions and venues where mid-term business plans are discussed, we used corporate storytelling methods to help Kao Group leaders to deepen their

understanding of the Kao Way and re-visit the importance of linking financial targets to our corporate purpose.

For 2: We communicated the spirit of our founding and unique qualities at post-merger integration sessions for two companies joining our group (Oribe Haircare and Washing Systems International).

For 3: We implemented a collaborative identity and strategy communications audit in one region of our overseas Consumer Products Business with an outside researcher who specializes in global corporate communications and qualitative data analysis. Based on the results of this project, we intend to continue collaboration with outside researchers on assessing the success of our values and philosophy communication activities.

Going forward, we will continue to focus on these priority issues.

Our initiatives

Toward achieving our objectives

Objective No. 1: Establishing understanding of the Kao Way

We implement the following programs to promote a consistent level of understanding of the Kao Way group-wide: an orientation for new members of the Kao Group in global regions; an induction workshop for mid-career hires to Kao in Japan; employee visits to the Kao Eco-Lab Museum (Group Wakayama Complex in Western Japan) to provide information on ecology-conscious technologies; and employee tours of the Kao Museum (Group Sumida Complex in Tokyo) to communicate our history.

The Kao Way Coordinating Office also maintains an intranet website that provides employees within and outside Japan with basic information on our history and corporate philosophy.

Performance in 2019

- Kao Museum: 2,555 employee visitors
 - Events for employees
 - Guided visits for employees: Held 4 times for 38 employees
 - Guided visits for employees' families: Held 5 times for 87 people
- Kao Eco-Lab Museum: 952 employee visitors (excluding employees accompanying business partners on work-related visits)

Events for employees
 Guided open-participation museum visits: Held 6 times for 71 people
 Guided visits and trainings for individual departments: Held 27 times for 525 people

- Intranet views of the Kao Way: 12,168 views
- Global new employee trainings: 783 participants (global excluding Japan)
- Mid-career new employee trainings (Japan): 125 participants
- New employee trainings (Japan): 540 participants

Objective No. 2: Leadership Development

To develop leadership based on the Kao Way, we implement the Kao Way Dialogue, a program to promote dialogue between managers and members focused on the three values in the Kao Way. From 2018, we combined this program with Compliance training.

Performance in 2019

A total of 140 participants in the Consumer Products and Chemical businesses in the USA (54), Malaysia (39) and Vietnam (47) joined this program in 2019.

In 2019, we also implemented a similar one-day workshop for future leaders in the Supply Chain Management function who were visiting Japan for training. A total of 21 people participated in this program.

In 2019, we also strengthened collaboration with the Human Capital Development Department and implemented a customized program to develop values-based leadership for future global leaders. A total of 19 people participated in this program.

Objective No. 3: Corporate Culture Development

To strengthen our corporate identity as a consumer-centric values-driven company committed to our mission to enrich lives, we provide opportunities for those in leadership roles to discuss the Kao Way at annual global meetings, strategy conferences and other events. For those in non-leadership positions, we provide opportunities to discuss the Kao Way in their workplace.

Performance in 2019

Managers: A total of 548 managers from the Americas Consumer Products Business participated in these sessions held in Germany, the USA and Canada.

Non-managers: A total of 124 employees in non-managerial positions from the Asia Consumer Products Business participated in these sessions held in Vietnam and Malaysia.

2019 Our initiatives

Making my everyday more beautiful

Improved quality of life	42
Habits for cleanliness, beauty & health	47
Universal product design	50
Safer healthier products	57



Improved quality of life 102-12, 102-15, 103-1



Help people to enjoy more beautiful lives through our products, services and communications.

Kao's creating value to address social issues

Social issues we are aware of

The issues that are leading to a deterioration in consumers' quality of life include not only problems related to the global environment, such as increased ultraviolet radiation due to climate change, but also changes in the social environment. We have identified five key issues affecting society that are closely related to quality of life; global warming, changes in the hygiene environment, women's empowerment, the aging society and the diversification of society.

Although there has been a steady improvement in consumers' hygiene awareness over the past few years, with the widespread adoption of hygienic living habits, nevertheless, because of the impact of continued globalization, the risk associated with infectious diseases that may be transmitted between different countries and regions, affecting the global community as a whole, has grown.

At the same time, as women have come to participate more actively in society and the number of households where both partners are working has grown, there has been an increase in both emotional and physical stress relating to the need to balance work and household responsibilities, and in many cases this has a detrimental effect on people's health. As one of the first countries in the world to become a hyper-aging society, Japan is experiencing problems such as the social isolation of senior citizens and an

increased burden on caregivers. The current situation is that not only senior citizens, but also members of other disadvantaged groups such as foreign residents and people with disabilities, as well as people in general, are not necessarily receiving the services and products they need in order to live happily.

As a result of social issues such as these, many consumers are at risk of a significant lowering of their quality of life in their daily lives.

The five key issues affecting the environment in which Kao operates, and the risk of reduced quality of life for consumers

Global warming	Changes in the hygiene environment	Women's empowerment	Aging society	Diversification of society
Excessively dry skin due to increased ultraviolet radiation	Increase in bacteria and viruses Reduced immunity	Increased stress due to the need to balance work and child care and housework, which has an adverse impact on health	Increased burden on caregivers, social isolation for caregivers and loss of purpose in life	Racial discrimination, insufficient concern for people with disabilities and other socially disadvantaged groups

Kao's creating value

We will contribute to consumers' being able to realize authentic, comfortable and fulfilling daily lives. We will do this not only by offering products, but also by using our comprehensive capabilities to educate consumers across society. Additionally, in collaboration with stakeholders, we also strive to achieve sustainable quality of life (QOL) improvements.

We have established 22 life values we seek to realize to ensure that our activities support our goal of realizing authentic, comfortable and fulfilling daily lives through QOL improvement activities. Going forward, we will confirm the degree to which these lifestyle values have been realized each year, and improve our activities using the PDCA cycle.

The 22 life values we seek to realize

Clean life	Hygienic life	Healthy life	Beauty preserving and cultivating life
Safe life with peace of mind	Invigorating life	Stable, peaceful life	
Ecofriendly life	Natural life	Family-oriented life	
Humanistic, socially beneficial life	Socially-integrated life with extensive human contact		
Life that is unconstrained by stereotypical gender roles	Free life where you can do what you want		
Independent life where you are not dependent on others	Life that benefits from new innovations and trends		
Simple, nonmaterialistic life	Comfortable life	Simple, convenient life	
Economical, thrifty life	Life with plenty of free time	Fulfilling life	

Contributions to the SDGs





Policies

Having identified five quality of life impingement risks that may be associated with social issues or with social or environmental change, we have decided on key themes to address these risks, and we are taking action accordingly.

We have formulated action plans for the themes that we are addressing. There are three types of action plan: action plans that are being implemented company-wide, cross-category action plans and brand-specific action plans.

1. Company-wide ESG themes

New products that utilize new technology/activities that enhance quality of life in new fields.

2. Cross-category themes

Activities that enhance quality of life across categories in a new way, in relation to multiple existing brands.

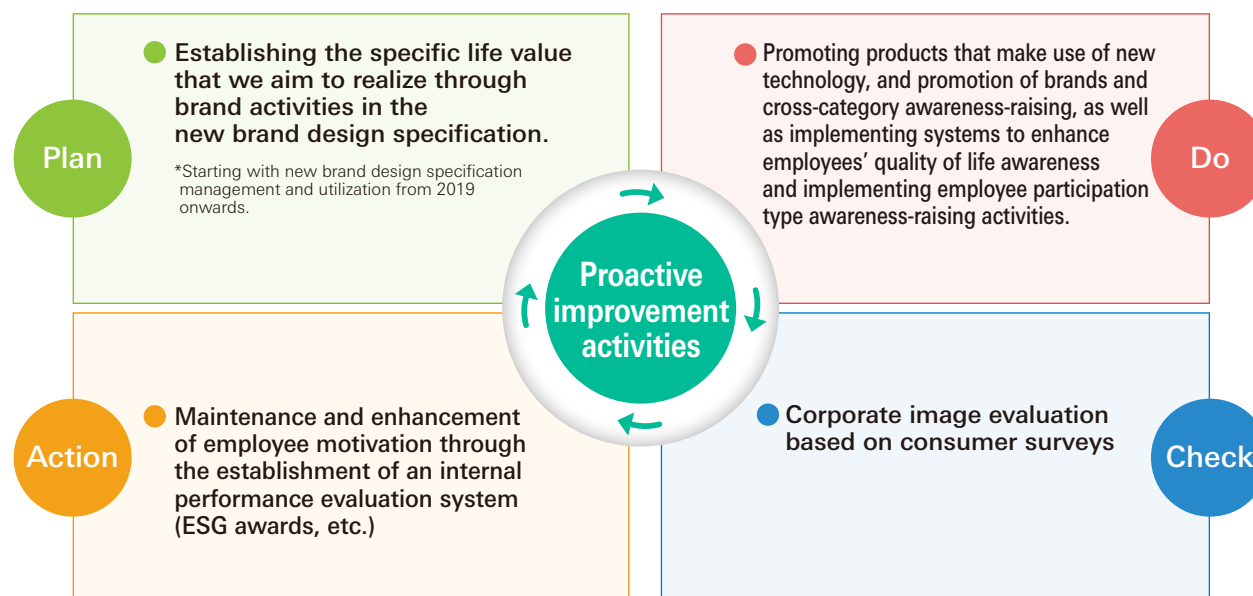
3. Individual brand-specific themes

Activities that enhance quality of life at the level of individual brands.

Education and promotion

With the implementation of a PDCA (plan, do, check, action) cycle that includes the proposal of products that use new technology, collaboration between employees, consumers and other stakeholders, the wide-ranging dissemination of information both within and outside the company, obtaining evaluations from third-party organizations, etc., we are constantly reviewing our activity themes and working to expand them.

PDCA cycle aimed at enhancing quality of life

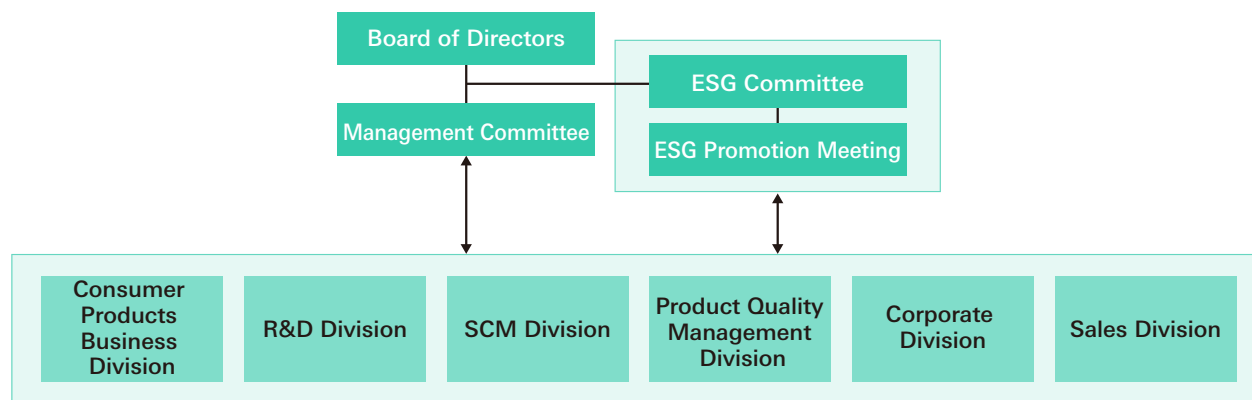


Improved quality of life 102-43, 103-2, 103-3



Framework

Of the 19 actions included in our Kirei Lifestyle Plan, improved quality of life, habits for cleanliness, beauty & health, universal product design, sustainable lifestyle promotion and purpose driven brands are being promoted as a common framework.



* As of December 2019.

Mid- to long-term targets and performance

2030 long-term targets

We will increase the number of new products that help to enhance quality of life.

Anticipated benefits from achieving mid- to long-term targets

Social impacts

By increasing the number of new products that help to enhance quality of life in the future, we expect to be able to expand brand recognition and brand usage rates. Our corporate image as a company that is working to improve quality of life can also be expected to boost people's awareness of Kao.

Collaboration and engagement with stakeholders

Deterioration in quality of life can lead to physical and mental distress, and can be harmful to the health. In order to prevent quality of life deterioration, besides utilizing products and services, in the future it will also be increasingly important to make use of prevention awareness raising and early mitigation awareness raising.

As the content and location of the awareness raising will vary depending on the consumer's age, gender, lifestyle and life stage, we are working to promote quality of life enhancement by collaborating with stakeholders who have extensive contact with consumers.

Next-generation awareness raising

- Educational curriculum proposals for schools and other educational institutions that are line with the Curriculum Guidelines formulated by Japan's Ministry of Education, Culture, Sports, Science and Technology (MEXT).

Raising awareness in relation to the aging of the population

- Measures in collaboration with local government authorities, which often constitute the most accessible opportunity for consultation for senior citizens.

Women's health support

- Initiatives involving drugstores (pharmacists), which sell preventive healthcare products, and counseling by gynecologists.
- Menstrual pain mitigation method awareness raising, etc. for public health nurses working at schools and private enterprises.

Our initiatives

Support for women's empowerment through the Pink Ribbon Campaign

With increased female participation in society, higher female employment rates, an increase in the number of female managers, etc., society now offers more opportunities for women's advancement. At the same time, however, because of the trend toward later marriage and the fall in the percentage of women with experience of pregnancy and childbirth, there has been an increase in the incidence of female-only cancers, which has become a significant social problem. We support the Pink Ribbon movement, a global initiative that seeks to educate women about the importance of early diagnosis for breast cancer, and since 2007 we have been implementing the Kao Pink Ribbon Campaign. We are also undertaking development of related products that contribute to enhanced quality of life.



→ Pink Ribbon Campaign 2019
www.kao.com/jp/pinkribbon/ (Japanese)

We are currently taking the following three activities as the main pillars of our support for women's health.

1. Preventive awareness-raising and donation activities that make effective use of Kao's resources

Since 2007, we have been implementing activities to communicate the importance of early diagnosis of breast cancer directly to customers through in-store *Sofina*, *est* and Kanebo Cosmetics counters, focusing mainly on Japan and the Asia region.

In 2019, we began introducing a self-checking method that utilizes *Kanebo Skin Gloss Oil Water* at *Kanebo* outlets.

Our *Laurier* sanitary products brand has launched special limited-edition mini-packs with a special Pink Ribbon design. Part of the sales revenue from these products and brands is donated to the Project of Cancer Education by Pink Ribbon Advisors.



Kanebo Skin Gloss Oil Water



Laurier limited-edition mini-packs with a special Pink Ribbon design

2. Providing support for activities to educate the next generation through Pink Ribbon Advisors

Since FY2018, we have been supporting the "Project of Cancer Education by Pink Ribbon Advisors*" (Organizer: Japan Society of Breast Health, certified specified non-profit organization).

Pink Ribbon Advisors who have experienced cancer visit junior high schools and high schools to give special lectures. The aim is for the advisors to use their own experience to help children develop an accurate and deeper understanding of cancer, thereby helping to boost cancer screening rates in the future, and also cultivate greater health awareness among the students' families and society as a whole.



Special lectures given by a Pink Ribbon Advisor.

* Pink Ribbon Advisors:

This is a certification program run by the Japan Society of Breast Health, an NPO, participants in which learn about cancer, cancer screening and treatment etc., and take a test to check their knowledge. Approximately 7,000 Pink Ribbon Advisors are undertaking awareness-raising activities throughout Japan, with the aim of creating a society that takes breast cancer seriously, by encouraging people to safeguard themselves from breast cancer, talk to their family and friends about breast cancer, encourage work colleagues to undergo breast cancer screening, etc.

3. Product proposals to enhance quality of life

Responding to comments from cancer patients living at home who find that the odors associated with cancer-affected parts of the body prevent them from going out, and who wish to maintain their former lifestyle as much as possible, in August 2019 Kao Professional Services Co., Ltd. (KPS) launched *Healia Deodorant Pads*, which help to mitigate these odors.

The pads do an excellent job of deodorizing wounds that have a strong odor, and their soft cushioning effect is easy on the skin when they are attached to the wound area. They are also designed not to slip off easily. Besides sales to hospitals, *Healia Deodorant Pads* are also sold to ordinary consumers via Kao-direct, our official online shopping service.

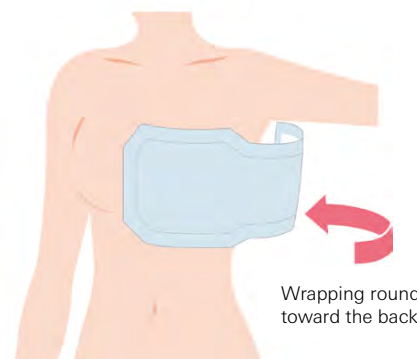
In September 2019, at the Annual Meeting of the Japanese Association of Supportive Care in Cancer, our Sensory Science Research Laboratory gave a poster presentation introducing this new product. This was a joint presentation with Tokyo Metropolitan Cancer and Infectious Diseases Center Komagome Hospital and Juntendo University Nerima Hospital.

Doctors and nurses attending the event made comments along the lines of: "Many cancer patients have a problem with the odors, so this is an excellent product. We hope that as many people as possible will be made aware of this." In the future, we will be working with hospital doctors and nurses to help improve the quality of life of cancer patients who experience serious distress.



Usage example

(breast)



Wrapping round toward the back

Healia Deodorant Pad



→ Corporate citizenship activities: Support for cancer education through the Pink Ribbon Campaign

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=73

Habits for cleanliness, beauty & health 102-12, 102-15, 102-43, 103-1, 103-2, 404-2



Inspire and enable people to develop better habits for cleanliness, beauty and health through our products, services and communications.

Kao's creating value to address social issues

Social issues we are aware of

The ongoing process of globalization has led to rapid improvements in people's lives. However, because of various factors such as disparities in wealth, it is far from being the case that everyone in the world is able to enjoy a clean, hygienic lifestyle and spend every day in good health.

Kao's creating value

Through our business activities, we develop products that support clean, beautiful, healthy lifestyles, and provide these products to society.

Rather than just supplying products, we believe that it is important to implement awareness-raising activities so that habits for cleanliness, beauty & health can permeate widely through society.

Contributions to the SDGs



Policies

We support activities that help to establish a wide range of cleanliness habits, thereby enabling consumers to realize the Kirei Lifestyle they seek.

Education and promotion

As part of our efforts to encourage all Kao employees to participate in economic, ESG activities, we provide support for the implementation of visiting classes at schools, including hand-washing lessons.

Rather than selecting a fixed group of employees to act as instructors for the visiting classes, we recruit as widely as possible within the company using the company intranet. Employees who wish to participate in visiting classes as instructors undergo training in advance, and then act as instructors at least twice over a two-year period.

Kao Group Customer Marketing Co., Ltd. has also put in place a framework that enables its company employees, and the employees of individual production plants, to participate in activities within their own area, to provide a means of fostering contact with the local community. New employees are informed about this system during their initial training, and Kao Group Customer Marketing is playing a leading role in creating workplaces where employee participation is facilitated.

After employees have participated in a visiting class, the participants' views and impressions are compiled in a report, which is then presented.

Collaboration and engagement with stakeholders

Our awareness-raising activities for the next generation have been developed as an educational program that can be utilized in schools. We aim to work together with government agencies, local government authorities, schools, etc. to further expand the content of these programs.

Habits for cleanliness, beauty & health 103-2



Framework

Of the 19 actions included in our Kirei Lifestyle Plan, improved quality of life, habits for cleanliness, beauty & health, universal product design, sustainable lifestyle promotion and purpose driven brands are being promoted as a common framework.

We are promoting related initiatives through collaboration between related divisions and group companies within and outside Japan, with the Consumer Products Business Division playing a central role.



→ p. 44 Making my everyday more beautiful >
Improved quality of life/Framework

Mid- to long-term targets and performance

Targets for 2020

Increasing the target for the number of educational programs to be implemented

With our hand-washing lessons, we aim to either hold visiting classes at, or provide related educational kits to, a total of 420 schools.

2030 long-term target

We aim to have implemented this program for a cumulative total of 4,980 schools by 2025.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

It can be anticipated that, through the implementation of awareness-raising activities utilizing Kao products, we can cultivate trust in Kao products among the children who represent the next generation, thereby helping to create loyal customers for the future.

Social impacts

It can be anticipated that the adoption of habits for cleanliness, beauty & health will help to improve people's quality of life, improve public hygiene, and reduce the risk of infectious diseases.

Performance in 2019

As of 2019, the number of schools that have hosted visiting classes provided under the educational program for cultivating habits for cleanliness, beauty & health that we launched in 2009 had risen to over 900. While these visiting classes have been implemented with Kao employees acting as instructors and support team members, we have now put in place a new system that can realize a dramatic increase in the number of schools assisted by the program, and we are promoting awareness-raising activities that will target even more children who represent the future.

Our initiatives

Educational program to cultivate habits for cleanliness, beauty & health

In order to help people acquire habits for cleanliness, beauty & health, we have developed a wide range of educational programs, and we provide visiting classes and teaching kits.

Our primary objective is to help children develop the hygiene habits that they need in order to grow up healthily, and to this end we implement awareness-raising activities for the children who will play important roles in society as the next generation.

The main educational programs that we implement are as follows:

1. Hand-washing lessons aimed at helping children get into the habit of washing their hands.
2. Housecleaning lessons aimed at helping people to live healthy, happy lives.
3. Environmental lessons aimed at getting children to think about environmental constraints, such as the need to save water, etc.

To ensure that our various educational programs reach children in every region of Japan, we implement these programs in collaboration with Kao Group Customer Marketing Co., Ltd., which undertakes activities that are deeply rooted in the local community.

By getting our employees to act as instructors and support team members for the various classes, we aim to create contact points between our employees and society, and cultivate a broader outlook among our employees.

Yoki-Monozukuri manufacturing to make acquiring the habit of washing your hands fun

Bioré u Whip Stamp Handwash

In order for children to be able to grow up healthily, it is important for them to acquire hygienic habits from a young age. In particular, the habit of washing your hands is vitally important for having a hygienic, healthy life.

So as to help children—who represent the future—to learn proper hand-washing technique, we implement hand-washing lesson visiting classes that aim to get children washing their hands regularly.

In order that children will be proactive about putting into practice at home the correct hand-washing technique that they have learned in the hand-washing lessons, in 2019 we launched *Bioré u Whip Stamp Handwash*, a fun-to-use new product (Pre-sale via our online store, currently available at store). Conventional hand soap products require the use of two hands to get the foam out, but with our new product the user can easily use just one hand to

extract foam that comes out in a cute flower shape that can be carried in the palm of the hand. The soap comes out easily as dense foam in just the right amount, making this product a fun and enjoyable way to wash your hands.



→ Corporate citizenship activities

Education for the next-generation through providing education in the classroom and educational materials

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=77

Promoting habits for cleanliness and hygiene overseas

• Kao Hygiene Development Program in Vietnam
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=74

• Contributions to improving menstrual education and menstrual hygiene conditions
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=75



Universal product design 102-12, 102-15, 103-1, 103-2



Develop products and services based on our Universal Design Guidelines that are easier for everyone to use.

Kao's creating value to address social issues

Social issues we are aware of

Modern society is becoming both older and more globalized, while values and lifestyles are diversifying. In addition, people want products that are accessible and easy to use. This is particularly true of the socially vulnerable, including the elderly and those with disabilities, as well as members of minorities, whether religious, ethnic or otherwise.

Kao's creating value

We have promoted development and provision of products that anyone can use easily under the basic concept of our consumer-focused *Yoki-Monozukuri*. Going forward, to contribute to the universal SDG target of leaving no one behind, we will deliver satisfaction and inspiration to all the consumers we serve, and strive to enrich the lives of people. To this end, we believe that concern for the socially vulnerable is and will continue to be an important theme.

Risks related to realization of our vision by 2030

Failure to provide products that anyone can use easily could lead to a heightened risk of improper usage and other safety issues. Furthermore, even products developed with safety in mind may be used improperly if not accompanied by easily understood guidance to promote safe usage. Failure in this regard could lead to a loss of trust in our products, and

conceivably even to a loss of trust in the company itself.

Opportunities related to realization of our vision by 2030

Helping to enrich the lives of people all over the world with Kao products will reinforce trust in our company.

Contributions to the SDGs

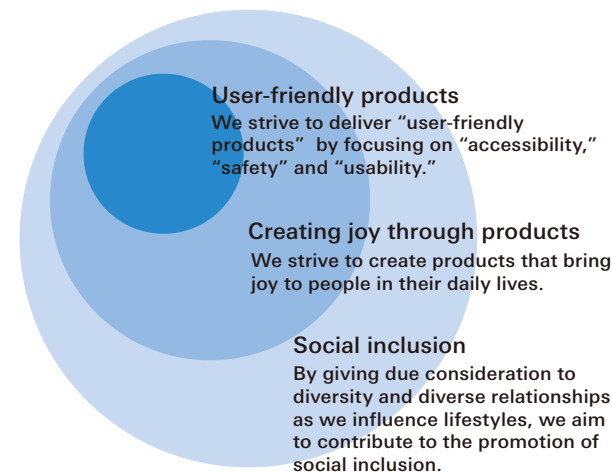


Policies

We at Kao have worked to promote the fundamental guidelines of Universal Product Design: user-friendly products, creating joy through products and social inclusion.

Going forward, we will promote *Yoki-Monozukuri* throughout the company, and by delivering satisfaction and inspiration to all consumers in their daily lives through the use of Kao products, we will strive to become a household product industry leader in the use of Universal Design (UD).

Kao Universal Design Guidelines



Universal product design 102-43, 103-2, 404-2



Specific initiatives to achieve this are set forth below.

1. Adoption of the customer's viewpoint in the promotion of UD, from product awareness to consumption and final disposal in the home.

Along with focusing on accessibility and usability as well as safety and security, we will disseminate easily understood information at each stage from product awareness and selection to purchase and disposal.

2. Monozukuri Project promotion and strategic PR from a UD-centered perspective.

We believe that for the socially vulnerable, UD is not merely value added, but is the value of the product itself. Going forward, we will launch Monozukuri Promotion Projects in each business division, and expand our offering of new products from an UD perspective.

We will also strengthen our information and service offerings that utilize information and communication technology (ICT), and collaborate with stakeholders including distribution companies and local governments, and actively convey the customer perspective.

Education and promotion

Deploying a structure for UD-centered manufacturing throughout the company

A cross-business approach is vitally important for UD promotion. Each business division will appoint a new UD promotion leader to collaborate with our Consumer Communication Center, which features a

customer consultation window that deals directly with customer requests and feedback, as well as with the R&D and Creative Divisions, to promote UD-centered manufacturing.

We are also planning to create an internal ESG Awards program, which formally recognizes new products with ESG impact. We will expand our lineup of UD-centered new products through reinforced and internalized employee awareness of UD.

Internal education system

We hold Workshops for Promoting Empathy with Elderly People, with the aim of helping our employees develop greater empathy for the elderly and a sense of direct connection with the problems they face.

As our employees need to communicate with diverse groups of people, including senior citizens, we have been encouraging employees to study for the Universal Manners Test overseen by the Japan Universal Manners Association. Going forward, we will continue to develop our internal education system.

Expanding the UD evaluation system to Asia

Each year, our Consumer Communication Center evaluates new or improved Kao products sold in Japan from a UD perspective, and announces effective improvement rates. Going forward, we will expand this system to Asia as a whole as we move toward global UD promotion.

Collaboration and engagement with stakeholders

Collaboration is essential—with the retail industry to disseminate information at the point of sale, and with local governments with respect to product disposal. To practice UD at every stage from product awareness to disposal, we will actively promote further collaboration throughout the company.

Framework

Of the 19 actions included in our Kirei Lifestyle Plan, improved quality of life, habits for cleanliness, beauty & health, universal product design, sustainable lifestyle promotion and purpose driven brands are being promoted as a common framework.



→ p. 44 Making my everyday more beautiful >
Improved quality of life/Framework



Mid- to long-term targets and performance

2030 long-term targets

1. Practice UD-centered manufacturing on a continuous basis.

We expand *Yoki-Monozukuri* from a UD perspective not only in Japan, but also globally. We also promote the UD-centered *Yoki-Monozukuri* Project, which aims to solve social issues, and accelerate the release of UD-centered new products.

2. Adopt a UD perspective when disseminating information.

We adopt a UD perspective in information dissemination and retail shop design. In particular, provide information for all products that enables anyone to easily access and confirm what they need to know when selecting and using those products.

3. Promote understanding on the part of stakeholders.

We aim to enrich the lives of people globally and to contribute to the sustainability of the world by spreading awareness of UD initiatives as widely as possible and fostering understanding of these measures among stakeholders.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

The aging society and increasing social diversity are global challenges. By utilizing our attention to detail to develop products that are easy to use for diverse groups of people throughout the world, we can enhance our presence and also achieve revenue growth.

Social impacts

Our UD initiatives contribute to realizing the goal of “Leaving no one behind” that underpins the SDGs, because they embody a diversity-focused concept that seeks to provide easy-to-use products for everyone, regardless of age, gender, disability, race, ethnicity, birthplace, religion, economic status, etc.

Performance in 2019

Performance

1. Product development from a UD perspective

- Implementation rate of new and improved product enhancement from a UD perspective
Japan: 77%, 856 items.
Europe and the Americas: 12%, 113 items.
- Expanding our range of products that utilize leverage for ease of use.
In 2019, we released enhanced versions of our one-hand push type *Attack ZERO* laundry detergent and *Cape* hairspray. These products utilize the lever principle for easy dispensing with a light touch.



→ p. 54 Our initiatives: Our products launched in 2019 incorporated UD considerations

2. Initiatives targeting diverse groups of people Initiatives to aid people with visual impairments

- We gave a presentation on doing the laundry at a seminar for people with visual impairments organized by the Special Needs Education School for the Visually Impaired, University of Tsukuba (July 2019).
- At the request of the Setagaya Municipal Welfare Center, we introduced people with visual impairments to our one-hand push type *Attack ZERO* (March 2019).
- Our employee volunteers narrated and provided lifestyle information for Home Life, a voice-based magazine published by the Japan Braille Library for its members.

Initiatives to provide support for cancer patients

We participated in the Gankurashi Fair 2019 event organized by NPO Cancer Ribbonz, introducing Kao products that can help people who are undergoing, or have completed, treatment for cancer (September 2019).

3. Activities to spread closed captioning TV commercials within Japan

We have been promoting the airing of closed captioning TV commercials in regular broadcasts since 2011. So far, around 1,700 commercials (including commercials on the Kao website) featuring closed captioning have been produced. Commercials that have not been broadcast on TV have been made available on the website.



→ Kao's Official YouTube channel
Commercials with closed captioning are available for viewing
www.youtube.com/user/KaoJapan/

Our initiatives

Our products launched in 2019 incorporated UD considerations

We are continuing to develop products that make it possible for diverse groups of people to use our products in a stress-free manner in different circumstances. In this section, we present some examples of how products that Kao launched in 2019 took UD into account.

One-hand push type *Attack ZERO*

One-hand push type *Attack ZERO* laundry detergent, launched in 2019, uses the lever principle for easy dispensing with a light touch. The container enables consumers to dispense an appropriate amount of detergent using a one-handed, gentle push, and is easily used by people with visual impairments or disabilities involving the hands.

Many comments praising the product have been received from consumers, such as, “My daughter has vision loss, but with this container she is able to do laundry on her own. I think it’s a terrific product,” and “I do laundry daily, and being able to dispense soap with one hand is very useful and convenient.”

At the request of the Setagaya Municipal Welfare Center, we introduced people with visual impairments to this product and received positive comments, including, “It’s useful to be able to dispense a uniform five milliliters with a single push, and without getting any on my hand,” and “The container has a wide mouth, which should make it easy to refill the container.”



One-hand push type *Attack ZERO*



Showing people with visual impairments how to use the product.



→ The Face of Kao: Innovation Stories #04, Package Design
www.kao.com/jp/kaonokao/media/n20190730/
 (Japanese)

Cape

For our *Cape* hairspray, we modified the design of the spray button and enhanced the product, using leverage to make it easy to dispense, even with a gentle touch. The button features a depression so users can immediately orient their fingertips. Moreover, an indentation around the container below the top enables those with disabilities of the hand to firmly grasp it without slippage.



Dispensing with a gentle touch.



The depression on the button makes fingertip orientation easy.

Promoting employee UD understanding

Workshops for Promoting Empathy with Elderly People

Our employees participate in workshops that include wearing special gear to simulate the experience of being an elderly person who qualifies for Level 1 nursing care. The perspective thus acquired can be applied to employees' work. There are two types of workshop: a house studio workshop, where housework and other daily activities can be carried out, and a workshop that involves making round-trip shopping trips on foot. Workshops for Promoting Empathy with Elderly People, held in 2019, included 4 house studio workshops with 47 participants and 2 shopping workshops with 25 participants.

Consumer Communication Center 85th Anniversary event

The Consumer Communication Center gathers Kao consumer product-related comments directly from consumers. Many of these comments relate to Kao's fundamental stance on Universal Design, including accessibility, usability and safety. In July, events were held at the Sumida and Kayabacho offices, where these direct consumer comments were introduced. The events gave participants a valuable opportunity to hear direct consumer comments and internalize the awareness of the importance of Universal Design in our products.



Consumer Communication Center 85th Anniversary event

Principal collaboration with government in 2019

In 2019, we participated in and supported the following government-sponsored events.

- Sumida Consumer Lifestyles Exhibition
- Sumida Care Welfare Fair
- Kashiwa City Alzheimer's Day
- Universal Fukuoka City Festival: Universal Design Trade Fair

Barrier-free information



→ Corporate citizenship activities > Barrier-free access to information
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=76

Initiatives to prevent ingestion accidents among the elderly

Not only children, but also adults can be involved in accidental ingestion of potentially hazardous substances, such as detergents, bleach or cosmetics. Approximately 19% of such accidents reported to the Japan Poison Information Center involved adults, according to the Center's 2018 report.

Most accidents involved the ingestion of small amounts due to misapprehension or error, but if large amounts are involved, the result can be serious poisoning symptoms. In particular, the elderly and those suffering from dementia may have difficulty

detecting taste or smell, or may have vision loss, making such accidents more likely and requiring vigilance from family members and caregivers. In addition, where accidental ingestion is followed by vomiting, aspiration pneumonia may develop.

Products involving the risk of accidental ingestion are equipped with warning labels, but to reduce risk further, we have prepared a booklet for the elderly and their family members to raise awareness of accidental ingestion risk. The booklet is also available on our website. In addition, we created a sticker for product containers to highlight the risk of accidental ingestion by the elderly, and have started publicizing the sticker to local consumer centers and comprehensive regional support centers for the elderly near our worksites and elsewhere.

Sticker highlighting the risk of accidental ingestion by the elderly



Front side of sticker



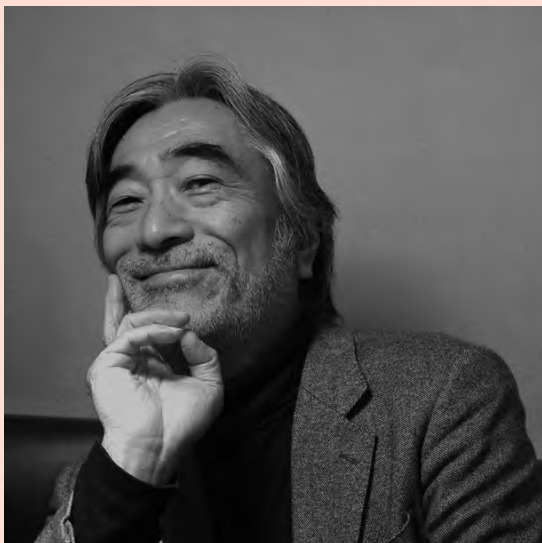
Back side of sticker (with explanation)



→ How to avoid accidental ingestion of household products
www.kao.com/jp/soudan/anशन/anशन_005.html
 (Japanese)

Message from External Expert

Kirei and UD



Fumikazu Masuda

Industrial Designer
President, open house Inc.
Visiting Professor, Nagoya University of Arts and Sciences

The term Universal Design first emerged in the United States and referred to a methodology for incorporating from the outset features in public and residential environments, tools and systems, services and so forth to ensure that persons with physical disabilities would not face unfair discrimination or disadvantage in society.

Design carried out with “typical” individuals in mind may present difficult or insurmountable challenges for those who are differently abled. If such problems are addressed after the fact, modification for so-called barrier free use often involves additional cost and effort, and even then may be impossible to achieve.

The UD approach involves identifying and anticipating potential barriers to convenient use for the entire population of potential users, and minimizing those barriers to the maximum extent practicable from the design (planning and basic design) stage. Simply put, UD is design for the broadest possible spectrum of users.

Kao has long been mindful of the importance of UD. Kao was responsible for the widespread adoption of embossed shampoo and rinse bottles, to ensure that users can identify the correct product by touch. This helps not only users with vision loss, but also normally-sighted users who may want to keep their eyes closed while washing their hair.

UD thoroughly considers the relationships between persons and objects under different times and conditions of use. For example, users must be able to manipulate dispensing nozzles, buttons, handles, or switches on containers for detergents or other liquids with ease, regardless of age or hand and finger size, shape, movement or strength. Safe, easy to use design is now taken as a given in Japan. Well considered, simple forms make for effortless use. In the future, as UD becomes increasingly pervasive, people will expect

design to go even further, making it possible for anyone to use products intuitively, with movements that are smooth and natural, and maximally efficient in terms of the purpose.

Beginning with initial product *Kao Sekken*, their products have related to facial and body care, as well as to cooking, cleaning and laundering—all activities connected with keeping the home and its environment clean and attractive. Now the company is working to make this true of the products themselves. Just as the broom used to sweep a tatami mat is itself beautiful, as are the movements of the person doing the sweeping, or just as the bucket and ladle used to gather water are themselves fashioned from beautiful materials into beautiful forms that are easy to use, the tools and containers of the future surely can be made more beautiful and easier to use than ever before.

I believe Kao’s Kirei Lifestyle Plan aims at cultivating people’s desire for attractive lives and lifestyles in an attractive global environment. While Kao stays in close contact with the users of its products, I hope the company will not forget those inhabitants of our planet, said to number nearly a billion, who today live in slums and struggle to obtain clean water. I further hope Kao will work hard to fulfill its responsibility to address environmental challenges, including the way it sources raw materials for its products, deals with plastic waste and responds to climate change. Such efforts will help restore this beautiful planet and make it a place where children can live with peace of mind.

Safer healthier products 102-12, 102-15, 102-43, 103-1, 103-2, 103-3



Create products made with carefully selected ingredients that people everywhere can use with peace of mind.

Kao's creating value to address social issues

Social issues we are aware of

In recent years, with the development of different kinds of social media like SNS (social networking systems) and blogs, a wide range of information is now easily available. In light of this, more consumers are expressing an increasing interest in the ingredients used in daily products as well as their effects on human health and the natural world.

Kao's creating value

With so much information available, in order for consumers to feel peace of mind using Kao products, we believe that it is necessary to disclose our approach to the ingredients we use along with correct information based on scientific evidence.

Contributions to the SDGs



Policies

With regards to ingredients that may cause consumers concern, we disclose our approach and usage policy. We continuously work to develop products that consumers and customers can feel peace of mind in using, as well as we provide adequate information.

Collaboration and engagement with stakeholders

We collect the latest information regarding human health and environmental safety to utilize raw materials and products safety evaluation. Additionally, through active participation and cooperation with each country and region's industry association activities, we contribute to sharing correct information to industry, governments, consumers and customers.

Framework

Under our ESG Committee and ESG Promotion Meeting, we organized a cross-divisional working group that exchanges opinions based on social conditions and scientific information from their respective specialized viewpoints and considers what needs to be shared with the public.

Mid- to long-term targets and performance

Targets for 2020

Regarding ingredients of concern, we collect information on what exactly causes concern in society and scientific data on ingredient safety, and examine the appropriateness and validity of this information. We then establish individual policies for specific ingredients based on this process and release the policies in turn when they are ready to be shared publicly.

Anticipated benefits from achieving mid- to long-term targets

Social impacts

Disclosing information helps consumers and customers to choose our products with peace of mind.

Performance in 2019

As described under the Framework section, we have a system in place to regulate information disclosure.



Our initiatives

Safe and reliable ingredient use and information disclosure

We actively share our approach and response toward ingredients that have raised social concerns. So far, we've disclosed our approach and policy regarding the following two ingredients.

Plastic Microbeads

Some of our products, such as rinse-off cosmetics and toothpastes, contain scrubbing ingredients such as exfoliants and cleansing agents. Plastic microbeads* were included among these, but in recent years environmental concerns have been raised about them.

In light of these concerns, we completed the replacement of plastic microbeads with other ingredients by the end of 2016. Currently, all rinse-off cosmetics and toothpastes we produce and ship use naturally derived ingredients (cellulose and corn starch), and do not use ingredients which fall under the definition of plastic microbeads.

As part of our commitment to sustainability, we are always looking for ways to improve our products to protect the environment.

* Plastic microbeads

Any solid plastic particle that is less than five millimeters in size and is intended to be used to exfoliate or cleanse the human body or any part thereof (as defined by U.S. federal law).

Triclosan

Bioré u Foaming Hand Soap contained triclosan until August 2015, but it is no longer used in our current product line.

There are no problems in terms of safety regarding use of our older products containing triclosan.

Industry association activities/communication

In response to the issue of microplastics, including plastic microbeads, whose use in products has raised environmental concerns, the Japan Cosmetic Industry Association collects scientific information, gains an understanding of usage in Japan and provides information to the government. The association also cooperates with industry associations around the world. We play a central role in these activities and lead cosmetics industry activities in Japan.

Furthermore, we actively participate in industry activities related to our business, such as those of the Japan Soap and Detergent Association and the Japan Chemical Industry Association. We also participate in the industry association activities in other major regions of the world, collect local information, and in particular in the ASEAN and other Asian regions, contribute to the information exchanges to the governments.

Moreover, we strive for adequate communication with consumers and customers. For example, when we receive questions regarding about our use of ingredients or their safety, we work to quickly provide adequate information.

2019 Our initiatives

Making thoughtful choices for society

Sustainable lifestyle promotion	60
Purpose driven brands	65
Transformative product innovation	68
Responsibly sourced raw materials	72





Enable people to live more sustainable lifestyles through information, services and products that save precious resources such as energy and water.

Kao's creating value to address social issues

Social issues we are aware of

Our rich lifestyles are supported by consuming the planet's resources. Progress in science and technology has enhanced humanity's standard of living, but at the same time, inappropriate economic activity is exhausting resources and destroying the environment.

To build a sustainable society, it behooves private enterprise not only to use its strengths to offer products and services, but to offer new, sustainable lifestyles, along with information to help more people learn about those lifestyles.

Kao's creating value

Responsible consumption is also an important theme of the SDGs. Our mission is to support consumer cleanliness, beauty and health in daily life through our cosmetics and daily use products. This positions us to offer consumers new ways of living through products and services, and collaborate with consumers around the world to realize enrichment of the lives of people globally and contribute to the sustainability of the world.

Our aim is for a little adaptability and product selection on the part of consumers in daily life to contribute effortlessly to the realization of a sustainable society. We will achieve this through *Yoki-Monozukuri* and daily life solutions, which reflect our responsibility to drive innovation in a way that will contribute to overall social evolution. In this way, we will become an enterprise chosen by consumers and customers.

Risks related to realization of our vision by 2030

We believe that if we fail to practice the sustainable manufacturing society demands, or to offer lifestyle-transforming products and services, we could not only damage the value of our brand, but also negatively impact new global and social values and hinder the realization of a sustainable society.

Opportunities related to realization of our vision by 2030

Since our founding, we have influenced lifestyles through our business activities in continuous collaboration with consumers. We have also contributed to the realization of a sustainable society with 130 years of accumulated original technology, and by never compromising on convenience and comfort in our product driven lifestyle solutions. We believe this is what has enabled us to achieve a global profile. In addition, by offering new ideas for living reinforced by educational and awareness-raising efforts, we can maximize the global effect of a significant number of consumers adopting the habit of making more sustainable choices. In this way, we will contribute to addressing the challenges facing the global environment.

Contributions to the SDGs



Policies

Our product lineup has become a part of many people's daily lives, helping to make their lives more comfortable. We believe it is our responsibility to take the lead in setting an example for society by building sustainable lifestyles.

In particular, we will actively promote technical innovations that are characteristic of Kao as well as lifestyle solutions, to realize sustainable human life with respect to climate change, which is an important societal challenge, starting with the SDGs.

Specifically, we will offer environmentally friendly, sustainable products through the *Yoki-Monozukuri* of daily-life products themselves. Our goal is to generate returns to every aspect of the environment and society whenever consumers choose our products.

In addition, through our wide range of marketing, information dissemination, education and awareness-raising activities, we will strive to foster understanding by consumers themselves of the importance of sustainable lifestyles, and collaborate with them to promote contributions to sustainability, in order to achieve a major impact on society.

Sustainable lifestyle promotion 102-43, 103-2, 103-3



Four actions

1. Propose sustainable solutions through manufacturing and products themselves.
2. Disseminate information related to sustainable lifestyle solutions.
3. Offer opportunities for hands-on learning.
4. Conduct educational activities in collaboration with companies, organizations and public institutions.

Through the foregoing activities, we will educate consumers at the point of product selection, so that each of their daily life choices contributes to making sustainable lifestyles more achievable. In addition, with respect to our consumer contact points and outlets of our retail customers, we will engage actively in communication relating to the environment and hygiene as well as water and energy conservation, and promote awareness-raising activities. In particular, we will engage in awareness-raising activities for the next generation, to learn about and realize the importance of responsible choice.

Collaboration and engagement with stakeholders

Collaboration with our diverse stakeholders is essential to enhance consumer awareness and spark a movement to change people's lives and lifestyles.

As such, we are promoting collaboration with stakeholders with respect to the following.

- Collaboration with distributors to boost transport efficiency and reduce environmental impact, and realize "white logistics."
- Collaboration with retailers and distributors to offer

sustainable life solutions and ethical consumption options at the point of brand selection and purchase.

- By offering information to consumers about the basic functionality of our products as well as guidance for their use, promote reductions in environmental impact when the product is used ("eco together" with consumers/customers).
- Collaboration with distributors and local government to ensure appropriate waste disposal after the product is consumed.



- p. 85 Making the world healthier & cleaner > Decarbonization/Education and promotion: "eco together" with consumers/customers
- p. 114 Making the world healthier & cleaner > Zero waste: Collaboration with stakeholders based on "eco together"
- p. 119 Making the world healthier & cleaner > Water conservation/Education and promotion: "eco together" with consumers/customers
- p. 124 Making the world healthier & cleaner > Water conservation: Implementing education and activities based on "eco together"

Framework

In FY2019, we announced a major shift to ESG management, and formulated the Kirei Lifestyle Plan, which is the vision of that management. The ESG Division will lead collaboration with our Business, Manufacturing, Supply Chain Management & Logistics and Sales divisions to promote ESG-based manufacturing, toward promotion of the Kirei Lifestyle Plan. Each individual activity will be performed in

accordance with the 19 actions of our Kirei Lifestyle Plan. Activity progress status reports are issued at company-wide ESG Promotion Meetings hosted by the ESG Promotion Department, and progress for individual company divisions is monitored at monthly ESG Promotion Meetings.



→ p. 44 Making my everyday more beautiful > Improved quality of life/Framework

Mid- to long-term targets and performance

Mid- to long-term targets

Based on "Making thoughtful choices for society," one of the three Kirei Lifestyle Plan commitments, all Kao brands will facilitate small but meaningful choices on the part of the consumer to realize a more resilient and compassionate society.

Anticipated benefits from achieving mid- to long-term targets

By engaging in awareness-raising activities related to sustainable lifestyles, we believe we can further reinforce consumer preference for ethical consumption, and even contribute to solving social challenges. In addition, if consumers with heightened awareness actively choose our products, we will contribute to the realization of abundant, comfortable lifestyles as well as the solution of social challenges, and reinforce long-term consumer loyalty to our brands.

Our initiatives

Solving problems through manufacturing and products themselves

We will create environmentally friendly products and product packaging innovations—exemplified by our sustainable detergent base, single-rinse laundry detergents and rapid-rinse shampoos—and promote sustainable lifestyle solutions based on manufacturing and products themselves.

Solutions from materials:

Development of sustainable detergent base Bio IOS

Bio IOS is a unique surfactant, highly soluble in water while at the same time retaining its high affinity to oils. With a view through to globalized, stable production and procurement, we are reviewing our existing research results and manufacturing technology, and using the fruits of that review to design and develop new molecules.

Most cleaning surfactants made from naturally derived fatty materials have chains of 12 to 14 carbon atoms, because agents with longer chains are less soluble in water. However, fat raw materials with 12 to 14 carbon atoms account for only about 5% of total oil-based ingredients, and manufacturers must compete for supplies of this scarce raw material.

Bio IOS is extracted from the residue remaining when palm oil is extracted from the fruit of oil palm. Out of all the natural vegetable oil ingredients marketed in the world (190 million tons in FY 2017), palm oil is the most widely used multipurpose oil. The solid fats obtained from the residue of the oil have long carbon chains and have conventionally only been

used for limited purposes. The ability to utilize this heretofore hardly-used fat source effectively, and the future prospect of using fats extracted from algae, make Bio IOS a highly sustainable detergent base for the future.

Bio IOS first saw practical use as a sustainable detergent base in *Attack ZERO*, a concentrated liquid laundry detergent launched in 2019.



Bio IOS molecular structure model.

Hydrophilic group: part with high affinity to water.

Lipophilic group (hydrophobic chain): part with high affinity to fats. Its special structure has a long lipophilic group with a hydrophilic group at its midsection.

Addressing the environmental challenges presented by containers

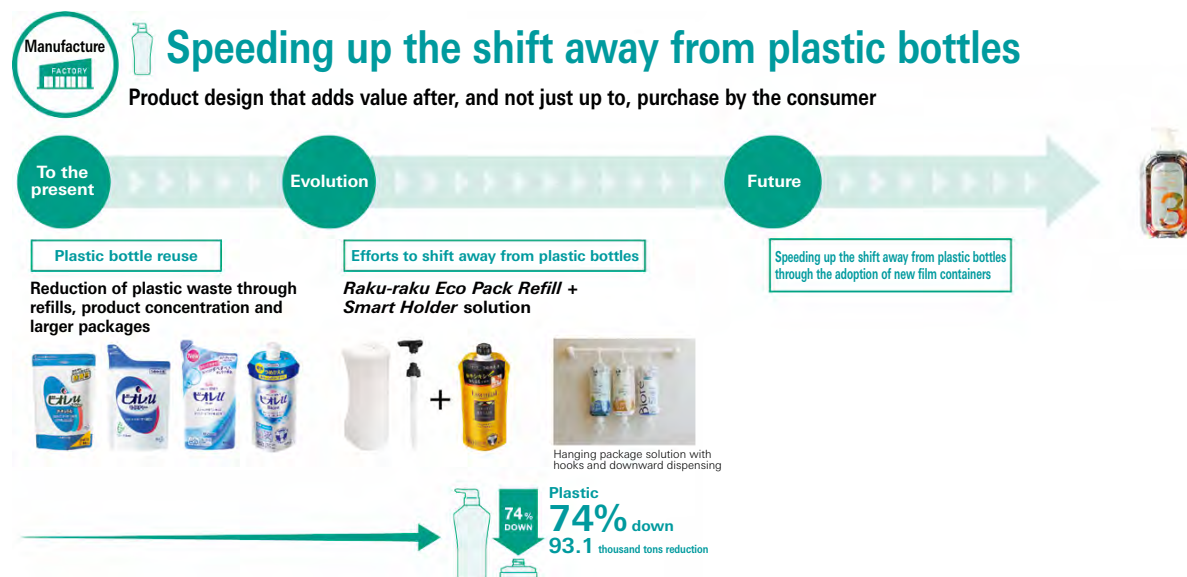
Our aim is to deploy new technology effectively to reduce the environmental impact, for example by transitioning almost completely from plastic bottles to refillable film containers for products like shampoo and conditioner by 2030. In addition, we have set a goal of boosting production of environmentally friendly containers to 300 million units by 2030.

The acceleration away from plastic bottles is being driven not only by our activities to date, but also our efforts to expand the deployment of our proprietary *Raku-raku Eco Pack Refill*, which dramatically simplifies the product refilling process, as a primary package.

The use of our *Smart Holder* in conjunction with our *Raku-raku Eco Pack Refill* has already been commercialized. Going forward, we are considering a solution for the bath area in which *Raku-raku Eco Pack Refill* would be suspended from a *Smart Holder*, with appropriate amounts of product dispensable with a single push.

Promoting the shift away from plastic bottles through the adoption of new film containers

The *Air-in Film Bottle* is a revolutionary new container type. While consisting of film alone, the insertion of air allows the bottle stand on its own and function as primary packaging. We will continue to develop this package type, which will be completely recyclable.



The challenge of eliminating eye-catching plastic stickers

Eye-catching plastic stickers provide consumers with information on product advantages and correct usage. At the same time, after their role is over, they become waste.

We are working to completely eliminate the use of these stickers by 2021, for example by printing the information they convey on the package itself.

Total elimination of eye-catching plastic stickers

- Going forward, we will promote the total elimination of eye-catching plastic stickers.
- Where necessary to call consumers' attention, we will do so using paper, in an environmentally conscious way.
- Seeking alternative communication methods to eye-catching stickers.



Disseminating information related to sustainable living

Responding to active questions from consumers

We are drawing praise for our efforts to offer active support through social media, such as Yahoo! Chiebukuro, to consumers with housekeeping- and beauty-related concerns.

We offer information related to housekeeping, beauty and health, and have provided answers to a cumulative total of over 4,000 queries since 2015. Our responses based on specialist knowledge are posted to social media, which enables other consumers with similar concerns to benefit from the responses. We received the Consumer-Oriented Activity Prize of the 3rd ACAP Consumer-Oriented Activity Awards in 2018.

Environmental website eco together

Through our eco together website, we disseminate information that contributes to environmental learning, principally for elementary school students. In addition, we promote awareness-raising for consumers of all ages as well as children, related to environmentally friendly activities and lifestyles.

Ideas for living from products

We strive to achieve social impact by advocating environmentally friendly living through our product communication, and by raising consumer awareness of sustainable lifestyles.

In addition, we hope that our product standards will be adopted by competing companies, enabling us to demonstrate an even greater impact.



Offering environmentally conscious ideas for living.

Offering opportunities for hands-on learning

Education programs with hands-on environmental experiences at worksites and plants

At our worksites, plants and museum, we offer opportunities to learn about environmental technologies and raise awareness through hands-on experience, primarily for elementary and junior high school students. Approximately 32,000 elementary and junior high school students from around 870 schools have participated in plant tours.

Promoting hand-washing lessons and housecleaning classes on participating educational frontlines nationwide

Since 2009, we have been offering visiting classes to teach young students correct hand-washing technique, as well as classes in cleaning. To date, 81,000 kindergarten and elementary school students have experienced these classes.



→ Corporate citizenship activities: Education for the next-generation through providing education in the classroom and educational materials
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=77

→ Corporate citizenship activities: Support for school education through plant and museum tours
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=78

Awareness-raising activities carried out with society, organizations and public institutions

Utilizing awareness-raising opportunities at EcoPro and other exhibitions

At our annual EcoPro exhibition, we engage in direct communication with the next generation designed specifically to foster environmental awareness, with higher-grade elementary school students as the main target.



→ Corporate citizenship activities: Awareness-raising activities at EcoPro 2019
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=79

The Kao International Environment Painting Contest for Children

Our International Environment Painting Contest for Children aims to raise environmental awareness among the next generation, with paintings expressing how we should preserve our critical global environment for the future.

Our tenth contest, held in 2019, drew a total of 16,552 entries from around the world.



→ Corporate citizenship activities: The Kao International Environment Painting Contest for Children
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=78



→ Lifestyle Research introduces Kirei Living
www.kao.co.jp/lifei/support/ (Japanese)

Purpose driven brands 102-12, 102-15, 103-1, 103-2, 404-2



Every Kao brand will have a purpose that offers solutions to social issues within the communities or societies it touches.

Kao's creating value to address social issues

Social issues we are aware of

The situation we live in is changing dramatically—globally, there are environmental issues such as climate change and marine plastics, and within Japan, an approaching super-aging society along with diversity in values and in race.

When it comes to conducting business while all of this is going on, it is important to correctly convey branding, through which we connect with consumers, and what kind of positive impact it will have on daily life, society and the earth. It is necessary to clarify brand purpose from all stages—from basic design to processing at the end of use—as well as communicate with consumers and other stakeholders, and through this we can create a better society.

Kao's creating value

Each brand should clarify its purpose and practice diverse initiatives, including communication with consumers. In doing so, we encourage better behavior and choices while advocating for them to enrich the lives of people and to contribute to a sustainable society and the earth.

Contributions to the SDGs

The social issues each brand contributes to depend on its category and the value it provides. For example, by developing and providing containers that are easy to use for anyone, those with disabilities can use them without difficulty, which contributes to the fundamental SDG target of leaving no one behind. Products that require less rinsing during washes can reduce CO₂ emissions and contribute toward the reduction of environmental impact.

Each of our brands has a different purpose based on various social issues, and by responsibly manufacturing products and providing them to consumers, we believe that their usage is able to contribute to the achievement of Goal 12.



Policies

When it comes to Kao's brand purpose, we refer to what positive impacts we can make on daily life, society and the earth.

The activities of our purpose driven brand include the following efforts: 1. an explanation of why the brand exists 2. specific brand actions 3. where communication is concerned, in 2019, the first year of

activity, starting by clarifying the purpose of each brand.

Education and promotion

Communication with consumers is essential for making a positive impact on daily life, society and the earth. Conveying brand attitude and participating in awareness-raising activities in order to create social change together with consumers is important.

For instance, with *Bioré*, we were able to develop a foam hand soap that makes hand washing easier, along with a Foamy Hand Washing Song children can enjoy singing as they wash their hands with it. We have distributed it to educational institutions, and also conduct visiting classes, including hand-washing lessons led by our employees.



→ p. 49 Making my everyday more beautiful >
Habits for cleanliness, beauty & health/
Educational program to cultivate habits for
cleanliness, beauty & health

Purpose driven brands 102-43, 103-2



Collaboration and engagement with stakeholders

Next-generation awareness raising

We conduct educational activities tailored to each brand. Our hygiene and environmental programs, in particular, have been adopted by many educational institutions.

Initiatives for an aging society

In cooperation with local governments and offices, we are working to extend healthy life expectancy through visualizing how much visceral fat they have at measurement sessions, encouraging citizens to walk and offering them healthy meal menus.

Framework

Of the 19 actions included in our Kirei Lifestyle Plan, improved quality of life, habits for cleanliness, beauty & health, universal product design, sustainable lifestyle promotion, and purpose driven brands are being promoted as a common framework.



→ p. 44 Making my everyday more beautiful >
Improved quality of life/Framework

Mid- to long-term targets and performance

Targets for 2020

As a first step, explain the significance of all Kao brands.

2030 long-term targets

We will make it so that 100% of our brands make a contribution to solving social issues and promote empathy toward people's lives and society with our brands' social missions.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

The support of meaningful brands leads to the growth of brands and the company, and as a result, makes it possible to invest in new social issues.

Social impacts

Through empathy and support from consumers, we are able to make a positive impact on daily life, society and the earth.

Performance in 2019

In 2019, we decided to clarify the significance of each brand's purpose. From the Kirei Lifestyle Plan perspective, each brand is reviewing brand design and defining what good impact it will have on our lives, society and the planet.

This effort will start in Japan and will be expanded globally in 2020.

We will make sure that consumers can feel our "Brand-Purpose," which has been further enhanced with purpose, and the purpose incorporated in its products.



Our initiatives

Recently developed products and technology

Attack ZERO

In 2019, we launched *Attack ZERO* laundry detergent, redeveloping it to fit changes in society including increased laundry loads at one time and room drying due to women's advancements in society, water-saving drum-style washing machines, and the increase of clothing made of functional synthetic fibers. It leaves zero difficulty to remove stains, zero musty odors, and zero detergent residue, and removes yellowing to revive clothing after each wash.

The base of these developments is the product of a new surfactant called Bio IOS. Oil palm fruit is the main ingredient used for surfactants, and by taking residue leftover after squeezing when collecting edible palm oil, which had previously been discarded, we were able to create a detergent base that meets the needs of society but is also sustainable.

As the population continues to increase, the earth's resources become limited. From the design stage of products like Bio IOS, through developing technology that is conscious of the global environment, we believe the *Attack* brand not only makes an impact on daily life, but also continues to contribute to society and the earth.



Pursue essential research to unleash breakthrough innovations that help realize more sustainable lifestyles by solving social issues and easing people's pains.

Kao's creating value to address social issues

Social issues we are aware of

Progress in science and technology has benefited our lifestyles in numerous ways. Governments and enterprises are working to deploy science and technology to address the pollution and health problems that arise as a side effect of progress. But the expansion of the mass consumption society is driving a global-scale increase in waste and CO₂ emissions, and to address these challenges, cross-border efforts will be essential. For example, we must find a way to reduce the usage of plastic film packaging and make total recycling* strategies possible. Sustainable Development Goals (SDGs) incorporate a call for Responsible Consumption and Production, and we believe that responsible production includes reuse of waste.

In addition, the expanding movement of people and products around the globe heightens the risk of infectious disease spread. Climate change may be another risk factor in this respect. Access to safe water supplies, and maintaining a hygienic society while conserving water, are important goals.

* Total recycling

Recycling for same-product production with no reduction of strength, durability or quality. Today, plastic film is typically subject to cascade recycling, in which materials are recycled into material of lower quality and functionality than the original.

Kao's creating value

To address social problems, innovations that gather wisdom are essential. To enable people everywhere to enjoy enriched lives, we are promoting R&D activities from three perspectives: environmental, social and human.

From the environmental perspective, we are evolving our packaging forms while applying the 4R principle to reduce the amount of plastic in packaging, with the goal of realizing a recycle-based society. We are working to develop stronger, lighter resins, recycle used refill packaging for new uses, and achieve the material quality and functionality needed to allow the use of recycled materials for the same packaging and film. We are also working to reduce environmental impact due to products themselves, and are promoting research in an effort to find ways to conserve water and energy during their use.

From the social perspective, we are working to realize a cleaner, more hygienic society by using microbial control technology to develop safer, more reliable disinfectant and antibacterial products. We are also deploying this technology toward prevention of viral and disease infection through substantive elucidation of the causes of infection. In addition, products like *VISCO TOP*, which does not cause water pollution, and other highly functional chemicals for construction use, contribute to the making of tough, robust roads, bridges and other structures, and help

build a safe society.

From the human perspective, we have strived since our founding to enhance consumer quality of life (QOL). So that everyone can lead comfortable, beautiful, healthy lives, we will continue our efforts to satisfy diverse senses of beauty and value, and research the use of big data to improve human motion and cognition, to enable us to innovate for richer lifestyles.

Risks and opportunities related to realization of our vision by 2030

Promoting innovation involves a wide range of risks, such as number of years to product development as well as the business environment changes and uncertainties. Schedule delays involve opportunity loss, not only in terms of investment but also for society. For important innovations, we publicize them to society at an early stage, and by gathering wisdom through co-creation and dialogue, seek to convert imaginative ideas into businesses and products.

Contributions to the SDGs



Policies

We have adopted the following three basic policies for our R&D activities.

1. Create the seeds for new businesses.
2. Bring about innovation that creates new customers' needs in existing business domains.
3. Share scientific technologies with society.

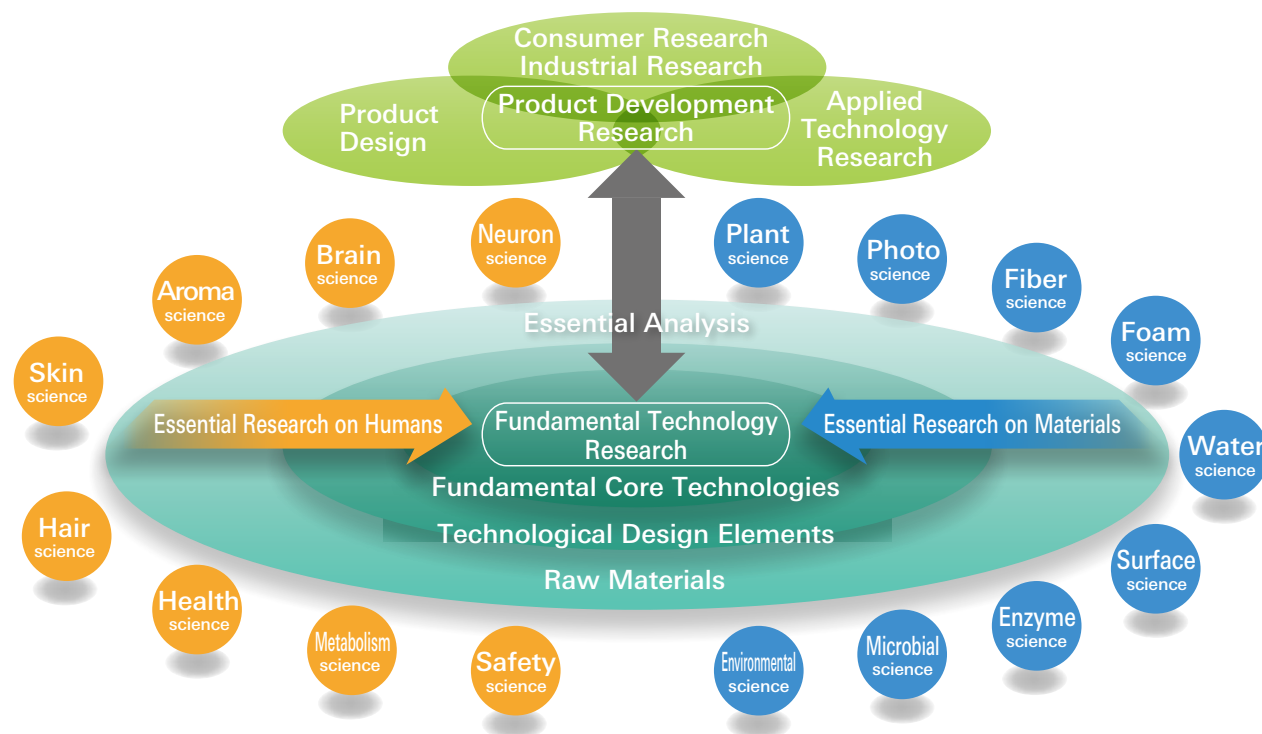
Based on these basic policies, we seek to enrich people's lives through innovation, promoting research activities in two directions.

One direction is the promotion of technology innovation to create seeds for new businesses and products. This innovation is driven by Essential Research. We believe that the essence of phenomena and objects as discerned through the eyes of science can lead to innovation that has a major positive influence on lifestyles.

The other direction involves recasting our accumulated technology assets from an ESG perspective, and incorporating them in the planning of Kirei Lifestyle products. In carrying out that planning, business strategies for a purpose driven brand, assurance of high safety and quality, and development and procurement of materials with low environmental impact are essential.

Through the accumulation of these innovation activities, our aim is for all Kao brands to have a social mission and exert a positive influence on people and society.

Essential Research





Education and promotion

Promoting R&D activities requires opportunities for all of our research staff to familiarize themselves with the latest technology and research results, and occasions where they can collaborate to generate ideas. To this end, we maintain a research report database that is available to all research staff, hold presentations to facilitate discussion across business boundaries, invite specialists to give lectures and provide research guidance, and offer a wide range of other, similar opportunities. These have the potential to lead to new discoveries and innovation.

Collaboration and engagement with stakeholders

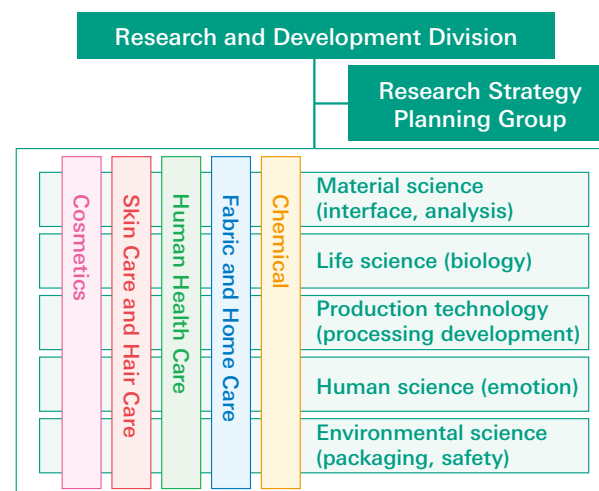
Multi-faceted linkage and collaboration between industry, government, universities and other players are necessary to solve challenging environmental and social issues. Open innovation is one example of this approach. We are working to present knowledge gained from R&D activities through academic societies and research papers, and propagate science and technology. To obtain broad consumer support for those activities, we convey the value and future of science and technology through dialog and awareness-raising activities.

Framework

To gather knowledge across business and technological boundaries, we are promoting matrix management. Each research facility reports directly to

the R&D Division. R&D policy sharing with management and business divisions, and strategy implementation and progress confirmation at each research facility, are carried out as part of the yearly plan. This results in faster decision making and accelerated global growth.

Research and Development structure



Mid- to long-term targets and performance

2020 mid-term targets

We will strengthen existing businesses and offer new innovation within existing business boundaries. We are working to generate new businesses in such domains as hygiene, centered on infectious disease prevention: health and beauty maintenance using biological information including RNA: and domains related to preservation of the environment, including recycling.

2030 long-term targets

- Offer 10 or more products with a major positive impact on lifestyles by 2030.
- Increase the ratio of new or improved products which meet Kao sustainability guidelines to 100% by 2030.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

We will achieve higher sales from new or improved products and create new business areas through R&D activities.

Social impacts

We will solve environmental and social issues and create new businesses and products by offering innovations for the new recycle-based society and healthy lifestyles.



Performance in 2019

We developed Fine Fiber Technology in 2018. This technology has applied in a wide range from foundation makeup to skin care, that respond to consumer desire for products reflecting their individuality. In 2019, we accelerated open innovation, developed a small, high-performance diffuser, and launched it in conjunction with specialized skin care products.

Going forward, we will systematize our sustainable policies from the environmental, social and human perspectives to offer impactful technologies and products.

Transformative product innovation



Our initiatives

Recently developed products and technology

At the Kao Group Technology innovation session in November 2018, we announced our new technologies in five domains: skin, health, hair, surface chemistry and environment. This presentation accelerated collaboration with enterprises in other business domains, and is leading to commercialization of new products.

Skin science: Fine Fiber Technology

In 2018, we developed Fine Fiber Technology, which involves depositing ultra-fine fibers with a diameter of 1 micrometer or less directly on the skin, to create an ultra-thin, multilayer membrane. This membrane is light and soft, and follows the movement of the skin while being resistant peeling off. It does not create a completely sealed layer despite fitting naturally on the skin, but allows for adequate moisture permeability and distributes products used with it throughout the entire membrane.

In 2019, we developed a small, high-performance diffuser able to create this ultra-thin membrane at home and the Veil Potion used with the diffuser to create ultra-thin layers on the skin along with a specialized essence. We then launched sales of the skin care products to offer moisture-rich skin care in a two-step regimen. Our small, high-performance diffuser was developed in collaboration with Panasonic Corporation's Appliances Company, a leader in beauty appliance technology.

Going forward, we will promote the development of base makeup products that firmly cover pores, color irregularities, spots and other imperfections. In the future, we will also aim to use this Fine Fiber Technology to create new value in the medical field, such as contributing to skin care following laser treatments and treatment of skin maladies accompanying injuries.



Health science: RNA Monitoring

In 2019, we announced RNA Monitoring, a proprietary technology enabling comprehensive analysis of the approximately 10,000 varieties of RNA expression information contained in sebum. While DNA is useful in assessing a person's innate characteristics, RNA is especially useful for understanding the state of day-to-day changes influenced by environmental and other factors. Using RNA obtained from sebum, we have also demonstrated the ability of this technology to detect characteristic changes in the skin condition of patients suffering from atopic dermatitis. Skin problems can lead to lowered QOL, making them a social issue. We have announced a collaboration with Preferred Networks, Inc. and have begun a project to understand the skin condition of individual customers by combining large data sets of RNA reflecting individual differences with

machine learning, deep learning and other AI technologies. We are proceeding with research and development in anticipation of improved QOL and empowering customers to achieve healthier skin by offering appropriate care methodologies.

Surface science: Utilizing Bio IOS and algae

Due to global population growth, preserving ecosystems and ensuring a stable supply of surfactant materials that use natural fats as raw materials has become a challenge. In response, we developed Bio IOS, a sustainable new detergent base produced from a part of the oil palm that has traditionally had very little application in surfactant materials. This detergent base is highly hydrophilic yet also highly lipophilic, which enables it to work into and remove stains when used in detergent while not readily remaining as a residue in laundry items, leading to benefits including reduced water consumption. Consequently, significant future demand is anticipated.

We are also currently working to on a project to manufacture surfactants made from microalgae that take the place of natural fats. As algae production does not compete with food production and algae are expected to demonstrate high fat productivity, we are focusing our efforts to achieve microalgae application.

Responsibly sourced raw materials 102-12, 102-15, 103-1, 103-2



Source our raw materials in a way that protects natural resources, the environment and human rights through supply chain traceability and collaboration with suppliers.

Kao's creating value to address social issues

Social issues we are aware of

In procuring raw materials for products, environmental destruction and loss of biodiversity due to indiscriminate development at the producing area has become a serious issue.

Protecting the human rights of laborers, safety and hygiene management, the forced relocation of local residents from producing areas, and damage to health are also pressing issues in our supply chain, which provides raw materials and services.

Kao's creating value

Our business is greatly dependent on natural capital. ESG management requires us to conduct our procurement with full consideration for both the environment, including resource conservation, climate change, and preservation of biodiversity, and society, including human rights. At the same time, flexible response to a changing market and changing demand will require the deployment of digital technology and operational innovation that transcends existing categories. With these two considerations as priorities, our Procurement Division is promoting ESG-driven *Yoki-Monozukuri*.

Risks related to realization of our vision by 2030

Procurement risks include supply risks relating to the stable procurement of raw materials and other goods, and reputational risks, which have the potential to manifest in the event of not appropriately responding to social issues.

Although we have taken measures such as drafting BCP for supply risks, addressing reputational risks in terms of social and environmental issues has taken on greater importance in recent years.

Opportunities related to realization of our vision by 2030

To appropriately address the aforementioned risks, we are conducting human rights due diligence based on the Kao Human Rights Policy, and supplier risk assessments based on the Guidelines for Supplier's Assessment for social issues, and promoting procurement of palm oil, paper and pulp based on the Guidelines for Sustainable Procurement of Raw Materials for environmental issues. We believe that this approach will resonate with consumers and facilitate stable procurement that preserves good relations with suppliers, and as such can even lead to corporate growth and enhancement of corporate value.

Contributions to the SDGs





Policies

We have formulated Guidelines for Supplier's Assessment and Guidelines for Sustainable Procurement of Raw Materials to facilitate the practical implementation of procurement activities in accordance with our Policies for Procurement.

We conduct procurement activities based on our Guidelines for Supplier's Assessment, which position suppliers as an essential partner in *Yoki-Monozukuri*. In our procurement activities, we give priority to those suppliers that place importance on social responsibilities, including compliance with laws, regulations and social norms, protection of human rights, assurance of health and safety and fair trade, and to those suppliers that collaborate fully on environmental issues such as the environmental management system that we consider to be important. We also prioritize eco-friendly procurement of raw materials and packaging.

Our standard contract with suppliers clarifies provisions concerning the aforementioned issues including the environment, human rights and labor.

We are also pursuing sustainable procurement based on the Guidelines for Sustainable Procurement of Raw Materials, which takes into account environmental problems including global warming and the loss of biodiversity as well as resource constraints, human rights and other pertinent issues.

We understand that our business depends on natural capital, and that a natural resource-dependent supply chain entails a risk of damage to that capital. We commit to zero deforestation at the source in our procurement of raw materials including palm oil and paper. Over the medium and long term, we will be taking measures to reduce the amount of raw materials that needs to be used, and other measures to switch over to the use of

non-food biomass sources such as algae, striving to promote sustainable and responsible procurement that gives due consideration to the ethical issues that have been thrown into relief by the process of globalization.



→ Guidelines for Supplier's Assessment
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-supplier-guidelines.pdf

→ Guidelines for Sustainable Procurement of Raw Materials
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-raw-materials-guidelines.pdf

Education and promotion

To carry out responsible procurement, each of our Procurement Division employees must acquire the needed knowledge, and ensure that they understand and adhere to the Policies for Procurement and related guidelines. To this end, we not only conduct a wide range of seminars and awareness promotion activities, but also hold an annual Global Procurement Meeting.

Collaboration and engagement with stakeholders

We are promoting opinion exchanges with suppliers through vendor summits, quality improvement meetings and other initiatives. We utilize Sedex for supplier monitoring, and by mandating Sedex membership and response, we are undertaking to assess risk for our entire supply chain. We are strengthening coordination with our suppliers through various initiatives including

the CDP Supply Chain Program, and developing our global procurement activities.

Moreover, we are continuing our dialogue with NGOs, and through programs such as those hosted by Caux Round Table Japan, we are carrying out meetings with local NGOs and visiting small-scale palm farms.

We also participate in such organizations as SUSTAIN and JaSPON, which strive to realize sustainable procurement and traceability, engaging in active opinion exchange with other enterprises and organizations.

Framework

The Procurement Division formulates strategy to conduct sustainable and responsible procurement. It has set up the Sustainability Group in the Planning Division and the Sustainable and Responsible Procurement Panel, which meets five times a year.

Under this strategy, the Raw Materials Division and the Packaging Materials Division conduct procurement in accordance with the Guidelines for Sustainable Procurement of Raw Materials. Meanwhile, the Indirect Materials & Services Division conducts green purchasing of office and other supplies, and the Machinery & Equipment Division is introducing environmentally friendly equipment and fixtures.

The strategy and activities of the Procurement Division are reported to the Board of Directors via reports to the Management Committee.

The Global Procurement Meeting is held once a year.

Furthermore, in January 2020 we revamped our organizational structure. With ESG and stable procurement as priorities, the division will pursue procurement activities with a policy of acting as a strategic coordinator to preserve competitive advantage.



Mid- to long-term targets and performance

2020 mid-term targets

1. Promoting the sustainable procurement of raw materials

With the goal of realizing zero deforestation, we are aiming to switch to procuring palm oil, paper and pulp from sustainable sources by 2020.

With regard to procurement of palm oil and palm kernel oil, besides joining the RSPO*¹ and promoting the obtainment of SCCS*² certification and the procurement of certified sustainable palm oil, we are also aiming to confirm zero deforestation in the producing areas and 100% procurement of palm oil and palm kernel oil traceable to the source by 2020.

Regarding procurement of paper and pulp, we are aiming to ensure that, by 2020, all paper, pulp and packaging materials used in our products, and all paper used in the offices, are either recycled paper or paper from a sustainable source. In particular, in the case of pulp, by 2020 we aim to purchase only pulp that has traceability back to the area where the timber was logged.

2. Human rights initiatives

We established the Kao Human Rights Policy in 2015 to address various risks associated with human rights issues. In addition to our own activities, we also request that our suppliers' activities embody respect for human rights based on the Guidelines for Supplier's Assessment, and we conduct human rights due diligence accordingly.

To conduct this risk assessment, in 2014 we joined Sedex, a platform for sharing information on ethical practices by global companies. We have been also encouraging our suppliers to join Sedex. By 2020, we aim to achieve a 70% rate of Sedex participation (for suppliers in Japan, on a purchasing value basis).

Starting from 2017, we have also implemented supplier risk assessment using Sedex.

3. Green procurement

With regard to purchasing of indirect materials such as stationery and office supplies, in line with the Ministry of the Environment's calls to implement green procurement, we have formulated Green Procurement Standards, which give priority to purchasing environmentally conscious products.

We are also pursuing the introduction of environmentally friendly equipment and fixtures such as LED lighting, and signing contracts with electric power companies that have low CO₂ emissions factors.

*1 RSPO (Roundtable on Sustainable Palm Oil)

A roundtable group to promote the production and use of sustainable palm oil.

www.rspo.org/

*2 SCCS (Supply Chain Certification System)

A supply chain system created for the purpose of producing, selling and delivering products to customers using sustainable palm oil harvested at plantations certified by the RSPO that meet rigorous standards for biodiversity preservation.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Reduced costs of addressing criticism from NGOs and NPOs, improved brand image, improved social credibility.

Social impacts


Contributions to the sustainability of the world through raw materials procurement.



Performance in 2019

Performance

1. Promoting the sustainable procurement of raw materials

- Palm oil and palm kernel oil procurement
Confirmation of traceability to the palm oil mills based on supplier information
- Paper and pulp procurement*¹
100% confirmation of traceability
Of this, 91%  of certified paper/pulp materials*²

*1 Covers paper/pulp used in Kao products (excludes some products).

*2 For corrugated board in Japan, this is calculated based on the respective procurement amount and the ratio of certified materials for the first half and the second half of 2019. The ratio of certified materials among paper/pulp materials apart from corrugated board in Japan is tabulated based on the ratio by weight of certified materials for each procured item.



→ p. 76 Our initiatives: Initiatives toward sustainable procurement of palm oil and palm kernel oil

→ p. 78 Our initiatives: Initiatives toward sustainable procurement of paper and pulp

2. Human rights initiatives

We have been conducting assessments based on Sedex since 2017. We expanded these assessments in 2018 to cover all of our global business and added new evaluation standards.

- Overall evaluation of supplier risk assessment based on Sedex (as of November 2019: S evaluation: 25%, A evaluation: 40%)



→ p. 78 Our initiatives: Using Sedex in supplier monitoring

3. Green procurement

The percentage of our total procurement conforming to the Green Procurement Standards in 2019 was 90%.

4. CDP evaluation



→ p. 89 Making the world healthier & cleaner > Decarbonization: CDP evaluation

Reviews of performance

We completed confirmation of traceability to the palm oil mills.

Regarding palm oil mills determined to need observation in our risk assessment, we are conducting on-site visits in stages.

Regarding production areas (palm farms), we completed traceability confirmation for large palm plantations. We will continue to pursue traceability confirmation for small- and medium-scale farms in coordination with suppliers, farmers, NGOs, specialists and third-party organizations.

In 2019, we once again achieved nearly 100% traceability for paper and pulp producing areas, achieving our goal for 2020. We will continue to introduce certified products for small-scale suppliers and encourage confirmation of sustainability.

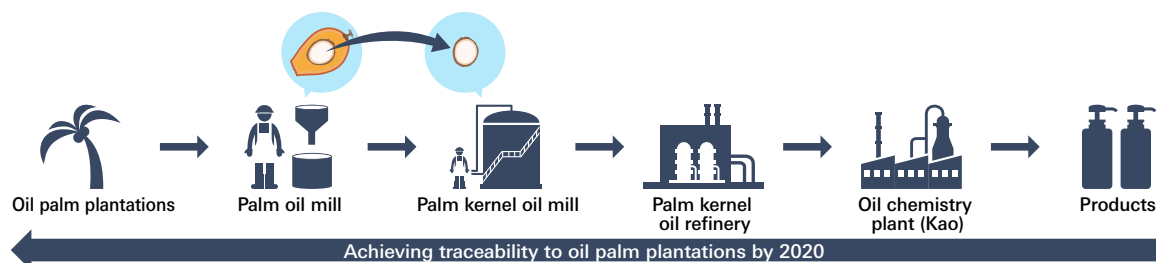
Our initiatives

Initiatives toward sustainable procurement of palm oil and palm kernel oil

We support NDPE^{*1} in our Guidelines for Sustainable Procurement of Raw Materials. We are also working to procure palm oil and palm kernel oil, one of our principal raw materials, in a sustainable manner as required by the guidelines. We are also an RSPO member, and are working to create a traceable supply chain for palm oil.

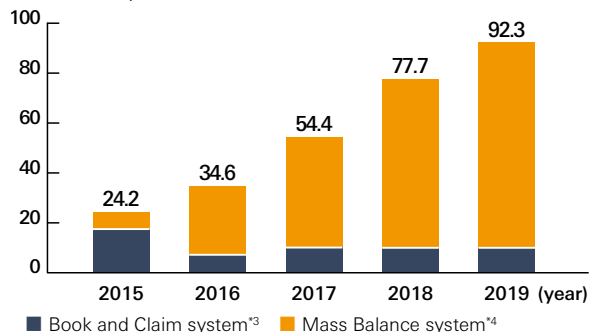
→ Guidelines for Sustainable Procurement of Raw Materials
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-raw-materials-guidelines.pdf

Palm oil and palm kernel oil procurement



Certified palm oil purchases^{*2} (Kao Group)

(thousand tons)



^{*1} NDPE: No Deforestation, No Peat and No Exploitation

^{*2} Total of palm oil, palm kernel oil and their derivatives.

^{*3} Book and Claim system

RSPO-certified palm oil credit trading system. By purchasing "certification credits" issued in proportion to the amount of palm oil produced and registered by plantations certified by the RSPO, users of palm oil are considered to have purchased the amount of certified palm oil corresponding to the amount of credits. This system encourages plantations to produce certified oil.

^{*4} Mass Balance system

A certification system that permits mixing of RSPO-certified palm oil with non-certified palm oil.

Sustainable Palm Oil Procurement Guidelines targets and 2019 performance

In the procurement of palm oil and palm kernel oil, we have committed to considerations relating to biodiversity conservation and support for zero deforestation, and have set four goals toward their realization.

Targets	2019 results
① By the end of 2015, purchase only sustainable palm oil traceable to the mill for use in Kao Group consumer products.	Completed traceability confirmation for the mills
② By 2020, adequately confirm zero deforestation at the source through cooperation with plantations, suppliers (mills and refineries) and third-party organizations. In addition, we will not take part in procurement activities that use high conservation value (HCV) forests, high carbon stock (HCS) forests or peatlands.	Completed mill identification, deforestation monitoring for surrounding areas Continued investigation of high-risk mills
③ By 2020, purchase only sustainably sourced palm oil that is traceable to the plantation for use in Kao Group consumer products.	Promoted 100% shift to RSPO-certified oil for consumer use in 2020 Promoted expanded use of RSPO-certified oil for industrial use Completed traceability confirmation for large-scale palm plantations Continued traceability confirmation for small- and medium-scale plantations Conducted a pilot SUSTAIN survey for small oil palm farmers traceability
④ By 2020, work to obtain RSPO SCCS certification of Kao Group manufacturing sites in order to build a traceable supply chain for the group.	Completed acquisition in 2018 of RSPO SCCS certifications for 35 sites, including group plants and offices globally

Responsibly sourced raw materials 308-2, 414-2



Traceability progress of palm kernel oil ★ Activities to 2018 ○ Activities in 2019

Scope	Specific activities	Progress								Results
[Quaternary suppliers] Small-scale agricultural producers	Exploring methods to confirm traceability	★	★	○						★ Conducted pilot Bluenumber survey of small-scale agricultural producers ○ Conducted SUSTAIN pilot survey
	On-site investigation of high-risk mills	★	★	★	★					★ Conducted 3 on-site investigations, verified information for 5 primary suppliers
[Tertiary suppliers] Palm oil mills (862 mills)	Risk mapping	★	★	★	★			★		★ Identified 89 high-risk mills
	Identification of high-risk mills	★	★	★	★	★			★	★ Verified 11 palm kernel oil mills that are representative of each region
[Secondary suppliers] Palm kernel oil mills (90 mills)	Verified information on palm oil mills	★	★	★	★	★			★	○ Conducted pilot surveys of 3 companies
[Primary suppliers] Palm kernel oil refineries (7 companies)	Conducted survey of guidelines for small oil palm farmer engagement	○		○					○	★ Verified 5 major companies
	Verified supply chain information for palm kernel oil refineries	★	★	★	★	★				★ Collected location information for each mill, conducted mapping
	Collected location information for palm kernel oil mills, palm oil mills	★	★	★	★	★	★	★	★	
		Co. A	Co. B	Co. C	Co. D	Co. E	Co. F	Co. G		

Traceability to small oil palm farmers

In September 2018, we became a founding member of SUSTAIN* to promote traceable and transparent palm oil procurement. In 2019, we participated in a project to create a mechanism for confirming traceability for plantations. We also participated in the Sustainability Assurance Working Group, which uses SUSTAIN blockchain technology. With regard to traceability for small oil palm farmers, SUSTAIN performed a pilot survey in Jambi Province, Indonesia. We will further promote traceability confirmation via these mechanisms in 2020.

We also plan to collaborate with stakeholders to begin offering new types of support to small farmers.

* SUSTAIN (Sustainability Assurance & Innovation Alliance): An initiative that uses blockchain technology to have actors in the palm oil industry share supply chain information.

Dialogue with small oil palm farmers

In 2018 and again in 2019, we participated in the Stakeholder Engagement (SHE) Programme hosted by Caux Round Table Japan (CRT Japan), visiting small oil palm farmers in Indonesia and engaging in dialogue with them. We also participated in a meeting with local NGOs to discuss efforts to address environmental and human rights issues.



→ Sustainability topics: Kao Holds Dialogue with Small Oil Palm Farmers as Part of Efforts to Establish a Sustainable Palm Oil Supply Chain
www.kao.com/global/en/sustainability/topics/sustainability-20191002-001/

Attack laundry detergent with the RSPO logo launched in Taiwan

In November 2019, Kao (Taiwan) launched *Attack* laundry detergent powder (nine product types) bearing the RSPO certification mark. This was the first product in the Taiwan market, and the first for the Kao Group, to display the RSPO certification mark. This

certification mark differentiates and verifies that the product was produced in a manner that is environmentally friendly and compatible with sustainable social and economic growth. We plan to expand the range of products bearing this logo in 2020.



Participation in JaSPON

On April 11, 2019, 18 companies and organizations, including retailers, consumables manufacturers and NGOs, established the Japan Sustainable Palm Oil Network (JaSPON) to accelerate the sustainable procurement and consumption of palm oil in the Japanese market. We participate in JaSPON as a director.



→ Sustainability topics: Participation in the Japan Sustainable Palm Oil Network (JaSPON)
www.kao.com/global/en/sustainability/topics/sustainability-20190527-001/



→ The Future of Algae Research: a source of raw materials that is more sustainable than natural fats and oils
www.kao.com/jp/en/environment/lca/02/

Initiatives toward sustainable procurement of paper and pulp

Sustainable Pulp and Paper Procurement Guidelines targets and 2019 performance

We have committed to including considerations for biodiversity preservation and our support for zero deforestation in paper and pulp procurement.

Targets	Performance in 2019	Rate of achievement (%) of the 2020 target
By 2020, we will purchase only recycled paper and paper produced with due consideration for sustainability for the paper and pulp used in Kao Group products, packaging materials and office paper. When using pulp other than waste pulp (virgin pulp), we will purchase only pulp that is traceable to the source, and confirm zero deforestation at producers of wood materials through cooperation with suppliers and third-party organizations.	Traceable paper and pulp: 100% (certified paper and pulp: 91%)	100%
	Copy paper (green procurement product: domestic): 98%	98%
	Introduced FSC-certified paper towels at 8 domestic offices Introduced FSC-certified toilet paper at 7 domestic offices	—

We are pursuing procurement of sustainable paper and pulp raw materials based on our Guidelines for Sustainable Procurement of Raw Materials.

Regarding the adoption of FSC-certified paper, we began using the paper for our product packaging in 2013. In 2016 we became the first company in Japan to start using FSC-certified corrugated paper.

As of 2019, the ratio of certified paper/ pulp materials* (FSC, PEFC or other certification) among our paper and pulp products was 91%.

In Japan, 98% of the copy paper we now use is produced sustainably (green procurement).

In addition, we promoted the use of FSC-certified paper towels and toilet paper in our Japan business locations.

* Covers paper/pulp used in our products (excludes some products). For corrugated board in Japan, this is calculated based on the respective procurement amount and the ratio of certified materials for the first half and the second half of 2019. The ratio of certified materials among paper/pulp materials apart from corrugated board in Japan is tabulated based on the ratio by weight of certified materials for each procured item.

Using Sedex in supplier monitoring

We use Sedex in confirming compliance with the Guidelines for Supplier's Assessment, which define initiatives in such areas as the environment, safety, conformance with laws and social norms, and human rights and labor problems, and in risk assessments. We request that suppliers join Sedex, respond to Sedex questionnaires, and set up data access rights.

The number of sites for which data access rights have been established worldwide as of the end of 2019 is 1,812. Within Japan, data access rights have been established for 566 sites, which represent 66% of overall procurement value. In 2019, we conducted risk assessments using the Sedex assessment tool for suppliers that have established access rights with Kao (as of November 2019).

We gave back the results of our assessment to the suppliers. We will request revisions to items that require improvement so that the suppliers can receive an overall evaluation of A or better. In particular, we asked suppliers with an overall evaluation of C to reply to SAQ, and suppliers with an overall evaluation of – to confirm the status of their link to Kao.

For suppliers who have difficulty joining Sedex, we also use our original survey form as an evaluation tool to supplement Sedex.

We have fully revised the items involving confirmation of corporate social responsibility such as compliance, human rights and business practices, as well as items involving confirmation of environmental protection such as environmental policies,

Responsibly sourced raw materials 102-12, 102-43, 308-2, 414-2



environmental objectives and various categories of environmental management, including pollution prevention (air, water, etc.). In 2018, we began to apply this revised standard to some direct material suppliers to our group companies outside Japan, to domestic machinery suppliers, and to indirect material suppliers (gift item manufacturing and sales companies). In 2019, we expanded the standard to some domestic direct material suppliers.

We are also performing this assessment when onboarding new suppliers.

Results of 2019 supplier risk assessments based on Sedex

Overall evaluation	SAQ response rate*1	Sedex risk assessment*2	Kao evaluation	Percentage
S	80% or more	Low	Excellent	25%
A	80% or more	Low	Good	40%
B	80% or more	Medium or High	Needs improvement	15%
C *3	Less than 80%	-	Needs response	10%
—*4	-	-	-	10%

*1 Response rate to Sedex self-assessment questionnaire for suppliers.

*2 Evaluation using the Sedex assessment tool that uses three levels (low, medium, high) of potential risk manifestation.

*3 SAQ without responses are evaluated as high risk, so all cases of a SAQ response rate of less than 80% uniformly receive a C evaluation.

*4 Not evaluated due to inaccessible response results.

Kao vendor summits

We hold vendor summits to provide a venue for sharing information and exchanging opinions with suppliers within and outside Japan. Each year, a specific theme is chosen for the vendor summits, and we seek to foster communication in regard to that theme.

At the Japan vendor summit in 2019, we asked suppliers to actively cooperate with the CDP Supply Chain Program*1, which is an initiative for sustainable and responsible procurement, and to join Sedex. In 2016, we began to present awards to suppliers for excellence in the areas of Quality, Cost, Delivery, Information Sharing, and Company Management and Sustainability.

In 2019, we invited attorney Teruyo Endo to give a lecture regarding compliance internal reporting systems. We also invited Hiroaki Oshima of Nittsu Research and Consulting to a lecture on the environmental changes related to product distribution, and future ways of responding to them.

Number of companies that participated in the vendor summits (Unit: firms)

	Held in Japan	Held outside Japan	Total
2015	214	285	499
2016	246	279	525
2017	245	258	503
2018	243	230	473
2019	239	267	506

CDP (Carbon Disclosure Project) Supply Chain Program

We recognize risks associated with sustainable development based on resource constraints, loss of biodiversity, global warming and other environmental problems as well as problems such as human rights, and are working to sustainably procure raw materials. These initiatives must be managed across the entire supply chain. With regard to climate change, water and forests, we are participating in the CDP Supply Chain Program and asking our key suppliers to disclose relevant information. In 2019, the supplier response rate was 73% in regard to climate change, 70% in regard to water, and 85% in regard to forests.

In regard to forests, we are conducting risk assessments by providing information to the CDP Forest Program*2.

*1 CDP (Carbon Disclosure Project) Supply Chain Program

CDP is an international NPO (with its headquarters in London) that is sponsored by institutional investors. CDP implements various activities to encourage business enterprises, etc. to disclose information relating to climate change, water resource use and forest resource use. The CDP Supply Chain Program is an initiative in which participating enterprises ask the firms that make up their supply chain to disclose information relating to climate change, water resource use and forest resource use via the CDP platform.

*2 CDP Forest Program

A CDP initiative in which enterprises are asked to disclose information regarding forest resource management and usage status, etc.



Surveying supplier satisfaction

We conduct supplier satisfaction surveys every three years in order to ensure that we are carrying out procurement activities fairly and equitably. Most recently, we conducted a supplier satisfaction survey in 2016 and received valuable feedback on topics including vendor selection, quality, ordering, service and communication. In terms of ordering, we confirmed there were issues including rush deliveries and request to change order amounts as well as response to proposals and consultations. To address these issues, the Procurement Division is working to spread awareness of the Kao Compliance Hotlines, and building a new supply and demand process coordinated with the SCM Division and the Information Technology Division.

Implementation was moved from 2019 to 2020 due to structural changes carried out in the Procurement Division.

Examples of education and promotion

Employee training and awareness-raising (Japan)

We educate new Procurement Division employees in our basic approach to procurement, which includes fairness and equity, adherence to laws and ethics and social responsibility. Through such education, we strive to encourage our employees to understand global social issues such as human rights and labor, which are fundamental to the United Nations Global Compact (UNGC) and ISO 26000 principles.

In 2019, nine employees newly assigned to the Procurement Division received education in our basic approach to procurement.

Promoting certification testing (Japan)

So that all Procurement Division employees understand the relationship between society and the environment, and as education to modify their behavior accordingly, we encourage them to take certification examinations.

In 2019, we encouraged employees to take the Certification Test for Environmental Specialists® (Eco Test®*). As of the end of the year, 79% of current employees had passed the test.

* Eco Test®
This test promotes an environmentally and economically sustainable society.

Education through e-learning (Global)

We implemented an e-learning program so that all employees of the Procurement Division could acquire the knowledge required for sustainable and responsible procurement. The examination participation rate in 2019 was 100%.

Global Procurement Meeting (Global)

The Global Procurement Meeting, which is attended by procurement managers from our affiliates, is held once a year. The Meeting provides a venue for education and verification regarding the group's procurement policy and sustainable, responsible procurement.

Message from External Expert

Expectations for Kao relating to sustainable palm oil procurement free from deforestation or human rights violations



Hiroshi Ishida

Caux Round Table Japan
(CRT Japan)
Executive Director

Society is moving from EsG to ESG

ESG-related initiatives have been drawing increasing attention in recent years, but ESG-focused investors note that many Japanese enterprises have fallen significantly behind with respect to S—society, and in particular, human rights-related initiatives—compared to E (environment) and G (governance). In effect, these enterprises are practicing EsG rather than ESG. Moving from EsG to ESG will require human rights due diligence, in line with the UN Guiding Principles on Business and Human Rights (UNGPs) established by the UN in 2011—in particular, to determining whether the human rights of small farmers and workers in the supply chain are being violated, and whether the rights of those living in local communities are being violated by corporations operating there. In addition, it will be necessary to build management structures capable of addressing these problems. There have been many recent cases of governments implementing national

action plans and modern slavery acts aimed at strengthening restrictions on companies involved in such human rights violations.

With respect to reinforcing of these restrictions, not only ESG-focused investors, but also stakeholders are strongly calling on enterprises doing business globally to put in place mechanisms that ensure the appropriateness of their operations.

Notable Kao initiatives

Kao aims for sustainable palm oil procurement without negative effects on local communities, deforestation or human rights violations. I therefore would point to its pursuit of the following initiatives as notable.

- It released Guidelines for Sustainable Procurement of Raw Materials at an early stage.
- It has expressed its intention to work toward sustainable procurement of natural raw materials including paper and pulp, and issues annual progress updates.
- It publishes its mapping of palm kernel oil mills and palm oil mills.
- It conducts audits and publishes results related to palm oil mills it procures from that are suspected of causing deforestation.

Expected future actions

- I would like to see Kao outline a grand design linking ESG Strategy with management strategy, with quantitative and qualitative indications of its future aims.
- While Kao carries out environmental due diligence, I would very much like to see it also carry out human rights due diligence, which it currently does not. In particular, I am most interested in seeing Kao

ascertain the conditions of life under which small farmers are living, engage in dialogue with plantation workers and others who may be subject to human rights violations, and provide them with support.

- To be prepared for latent risks, I would like to see Kao identify risks that may have a major influence on society, and build structures to deal with them based on UNGPs guidelines. Elsewhere, I would like to see a permanent, structured mechanism put into place to process complaints from workers, small palm oil farmers and others, as a means for appropriate action whenever problems occur.

ESG activities linked to management strategy

Going forward, it is to be hoped that as part of its management strategy, Kao will build the response capability necessary to cope smoothly with latent risks such as those noted above when they become reality.

In particular, European ESG-focused investors are paying close attention to whether companies have the ability to build management structures needed to identify the latent risks attaching to their business growth, and minimize negative impacts on society.

Further, while these initiatives are being implemented, regular dialogue with ESG-focused investors, and the “Quality Relationships” concept, which prioritizes high-quality information exchange and relationships, will be extremely important.

2019 Our initiatives

Making the world healthier & cleaner

Decarbonization	83
Zero waste	103
Water conservation	117
Air & water pollution prevention	125
Product lifecycle and environmental impact ...	130
Environmental accounting	132





Contribute to global decarbonization by reducing the full lifecycle CO₂ emissions of our products to a level that aligns with a 2°C (or lower if possible) global warming scenario.

Kao's creating value to address social issues

Social issues we are aware of

According to the World Meteorological Organization, in 2018 the average global temperature had risen by 0.98°C compared to levels prior to the Industrial Revolution, and has been at an all-time high for four consecutive years since 2015. Maximum daytime temperatures have been rising, and it has become common to have several consecutive days with temperatures in excess of 40°C. As a result, there has been an increase in the number of people affected by heatstroke, and every year there are reports of people dying from heatstroke. At the same time, rising temperatures have stimulated the growth of pathogenic E. Coli bacteria, which can cause food poisoning, and there is an increased risk of infection.

It was reported in the Special Report on Global Warming of 1.5°C issued by the IPCC^{*1} in October of 2018 that if the current situation continues, there is a high likelihood that temperatures will rise by more than 1.5°C between 2030 and 2052, and that in order to keep temperatures from rising by 1.5°C, it would be necessary to reach net ZERO around 2050. There is thus a need to make even greater reductions in CO₂ emissions.

For Kao, forest commodities such as palm oil and paper and paper pulp constitute very important raw materials. In today's world, in order to boost production of these commodities, natural forests are being

destroyed and there is an accelerating trend toward the establishment of new plantations, which is being accompanied by a loss of biodiversity and human rights issues relating to local workers, etc. We are very much aware of the risks that exist in relation to the need to realize sustainable development. An additional point is that greenhouse gas emissions deriving from forest destruction and changes in land use account for 6.5% of total global greenhouse gas emissions^{*2}.

Extreme weather events are already occurring due to global warming, and with this threat expected to grow in the future, there is an immediate need to implement measures to adapt to these changing circumstances.

Reflecting the fact that it is the younger generation that will bear the brunt of the impact of climate change in the future, young people throughout the world are taking action—such as the FridaysForFuture movement—to demand that governments take action in response to climate change.

^{*1} IPCC

Intergovernmental Panel on Climate Change
An organization was established by the United Nations Environment Programme and the World Meteorological Organization in 1988 for the purpose of conducting comprehensive evaluations from scientific, technical, and socio-economic perspectives regarding climate change, its impact, adaptation and mitigation measures.

^{*2} World Resources Institute, World Greenhouses gas Emissions, 2016

Kao's creating value

In order to reduce greenhouse gas emissions associated with our business activity, we have set reduction targets at our plants and other facilities, and are continuing activities which improving energy efficiency and turning energy used into green energy. Additionally, as part of our product lifecycle analysis, we are carrying out activities that reduce raw material procurement and use during necessary stages, waste during each stage, as well as greenhouse gas emissions.

We are working to enrich the lives of people and contribute to the sustainability of society by providing products that respond to changing consumer lifestyles in light of climate change, and that are environmentally conscious in response to transitional and physical risks.

Contributions to the SDGs





Risks and opportunities related to realization of our vision by 2030

We have implemented qualitative and quantitative evaluation of the risks and opportunities relating to the realization of our vision of where we want our company to be by 2030, focusing on the 2°C Scenario^{*1} and 4°C Scenario^{*2}, and we have identified the key items that could have a major impact on our business.

The results of this evaluation confirmed that some of the most important risks included the potential for the adoption and strengthening of carbon taxes, increases in the cost of petroleum-derived raw materials due to rises in the crude oil price, and an increased risk of flood damage due to the trend toward increased short-term precipitation, etc. We also identified a number of opportunities, including increased demand for summer-use products such as deodorant due to rising temperatures, and changes in consumer behavior such as the widespread trend toward ethical consumption.

In respect to realizing our vision for 2030, if no action is taken to reduce emissions, then by 2030 our total CO₂ emissions (Scope 1 + 2) are expected to be 167% higher than in 2017. With the 2°C Scenario, if carbon taxes equivalent to US\$89 / t-CO₂ are adopted worldwide, then this would lead to an increase in costs of around 9.5 billion yen per year for us. However, in 2006 we introduced an internal carbon pricing system to control CO₂ emissions (Scope 1 + 2), which has now been in operation for 13 years, closely integrated with our business activities. Having set ourselves the target of reducing CO₂ emissions by 22% by 2030 (compared to 2017), we would be able to keep the amount of carbon tax that we would need to pay down to around 4.5 billion yen per year, and keep the increase in overall costs down to around 5 billion yen per year.

^{*1} 2°C scenario

This is equivalent to the IEA's 2DS scenario or the IPCC's RCP 2.6 scenario, etc. It refers to the economic measures that would be needed in order to keep the average global temperature rise down to less than 2°C compared to the situation prior to the Industrial Revolution, and to the environmental damage that is expected to result from such a rise in temperature.

^{*2} 4°C scenario

This is equivalent to the IEA's Current Policy Scenario or the IPCC's RCP 8.5 scenario, etc. It refers to the economic measures that would be needed in order to keep the average global temperature rise down to less than 4°C compared to the situation prior to the Industrial Revolution, and to the environmental damage etc. that is expected to result from such a rise in temperature.

Policies

Climate change poses a major risk in relation to ensuring the satisfaction and enrichment of people's lives, both now and in the future. The Kao Way enunciates our mission to strive for the wholehearted satisfaction, enrichment of the lives of people globally and to contribute to the sustainability of the world, and we are implementing activities to reduce CO₂ emissions in relation to every aspect of our business strategy.

In our Policies Regarding the Environment and Safety, we undertake to "Assess environment and safety aspects throughout the entire life cycle of the products, from manufacture through disposal, when developing products and technologies. Offer products with a lower environmental impact."

Furthermore, the Kao Responsible Care Policy contains the following declaration: "We shall strive to continue to reduce the environmental impact of our business operations by promoting reduction of uses of resources such as water and energy."

Our Environmental Statement embodies our commitment to ensuring that "Kao products ... utilize original Kao-developed technologies to minimize the impact they have on the environment, not just in the manufacturing process, but in the daily life of the customers who use them. From materials procurement and manufacturing, to distribution, sales, use and final disposal, we want to engage in 'eco together' with stakeholders and consumers worldwide."

Furthermore, in regard to palm oil and paper and paper pulp, we have formulated the Guidelines for Sustainable Procurement of Raw Materials, and we support the goal of reducing forest destruction to zero by 2020 in the areas where these raw materials are produced.



→ p. 72 Making thoughtful choices for society > Responsibly sourced raw materials



→ Basic Principle and Basic Policies on Environment and Safety
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf

→ Kao Responsible Care Policy
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf

→ Kao Environmental Statement
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environmental-statement.pdf

→ Guidelines for Sustainable Procurement of Raw Materials
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-raw-materials-guidelines.pdf



Education and promotion

In line with the “eco together” motto of the Kao Environmental Statement, we are working together with a wide range of stakeholders to promote activities aimed at realizing decarbonization. We are also implementing carbon reduction education and working to spread awareness of our initiatives.

“eco together” with consumers/customers

As the product usage stage accounts for around 40% of total product lifecycle CO₂ emissions, raising consumers’ awareness is extremely important. For example, even if a consumer buys single-rinse laundry detergent, if the consumer sets the washing machine to do two rinses, then there will be no reduction in CO₂ emissions. It is thus very important for us to accurately communicate the environmental value that Kao products can provide and encourage consumers to use them properly. By organizing a wide range of different events, we aim to get across the importance of CO₂ emission reduction and the environmental value of Kao’s activities and products.



→ p. 61 Making thoughtful choices for society > Sustainable lifestyle promotion > Collaboration and engagement with stakeholders

“eco together” with business partners

In order to help our customers realize a Kirei Lifestyle, we continue to implement heartfelt *Yoki-Monozukuri* manufacturing and deliver the resulting products to our customers. However, this is not something that can be achieved by Kao acting alone. We believe that it is important to share our vision with the business

partners that we collaborate with at every stage from raw materials procurement through production to delivery and sales, so that we can take action together, and we have established a number of different venues for sharing information with them. As the raw materials stage accounts for around 40% of total product lifecycle CO₂ emissions, we view collaboration with raw materials suppliers as being particularly important.

“eco together” with society

We proactively participate in activities organized by the central government and by local government authorities, NPOs, etc., where we provide information about Kao technologies and exchange opinions with other participants. In order to realize the decarbonized society, reducing the CO₂ emissions associated with by using renewable energy generation is a particularly important approach, and we are working actively to disseminate information about our activities in this area.

Employee education and promotion

Our employees are not only in the position to develop and supply products, but once they leave the company, they are consumers for the rest of their lives and are the ones who select those products. We thus recognize the importance of giving our

employees the opportunity to learn about climate change through various programs and to actively engage in decarbonization activities of their own accord.



Framework

Risk management in relation to climate change issues is carried out by the Internal Control Committee and opportunity management is carried out by the ESG Committee, under the supervision of the Board of Directors. These committees are headed by the President and CEO.

The Responsible Care Promotion Committee, which manages policy/regulatory regime and technology risks, and the Risk and Crisis Management Committee, which manages market, reputational and acute risks, are under the Internal Control Committee. These committees are headed by the executive officer in charge of the Corporate Strategy.

The Responsible Care Department of Corporate Strategy Division acts as the Responsible Care Promotion Committee Secretariat while the Crisis Management Department of Corporate Strategy Division acts as the Risk and Crisis Management Committee Secretariat.

The Responsible Care Promotion Committee meets twice a year to report on and discuss compliance with laws and regulations, status of CO₂ reduction and other matters. It also sets targets for the following year. The Responsible Care Promotion Committee conducts monthly checks on compliance with laws and regulations, monitors CO₂ emission and water use, mainly at plants which have a large impact, and keeps abreast of the amount of chemical substances in wastewater, reporting on these and other matters to the head of the committee, committee members, members of the Internal Control Committee, auditors and others. The Risk and Crisis Management Committee which manages natural disaster including caused by climate change and reputational risks, meets four times a year.

The Internal Control Committee meets one or more times a year, receiving activity reports from the Responsible Care Promotion Committee and the Risk and Crisis

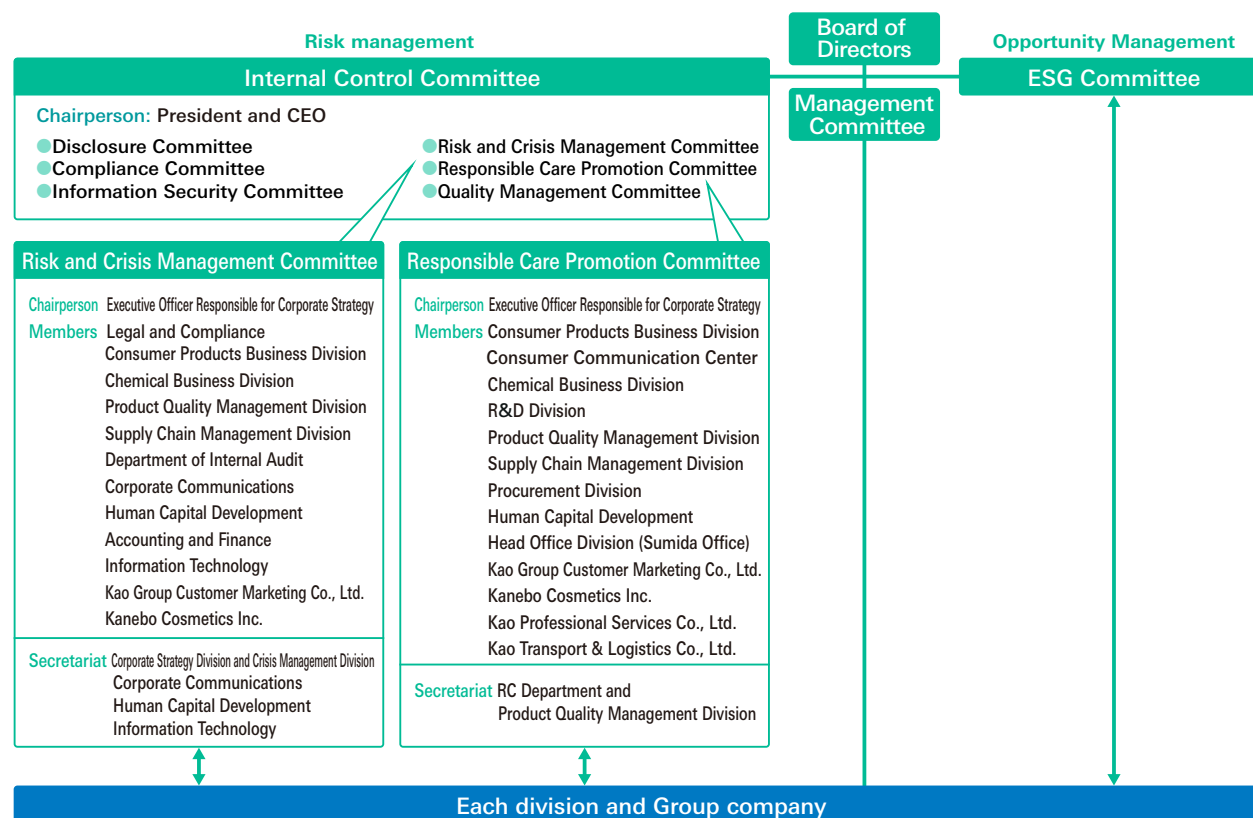
Management Committee which it oversees and auditing the activities of the two committees.

Opportunity management relating to climate change issues is handled by the ESG Committee, which meets four times a year. Committee members are the persons in charge of the business, sales, R&D, SCM and other divisions, an arrangement which connects divisions

horizontally. The Internal Control Committee, and the ESG Committee which it supervises, discuss climate change and environmental issues as well as social and governance issues.

The committee reports on its activities to the Board of Directors one or more times a year and is audited by the Board of Directors.

Decarbonization promotion structure



* As of December 2019.



Mid- to long-term targets and performance

Targets for 2020

In 2013, we set the 2020 targets for energy consumption and greenhouse gas emissions pertaining to all Kao Group sites and have aimed to achieve a standard 1% reduction each year. In 2009, we set the 2020 reduction targets for CO₂ emissions pertaining to the entire product lifecycle for group companies in Japan, based on the national reduction targets set by the Japanese government at the time (all of the above targets were calculated on a per unit of sales basis).

Targets for energy and greenhouse gas emissions

Index	Scope	2019 targets	2020 targets
Energy consumption	All Kao Group sites	34% reduction	35% reduction
GHG emissions		34% reduction	35% reduction
CO ₂ emissions	Across the entire product lifecycle for the Kao Group in Japan	—	35% reduction

2025 mid-term targets

Index	Scope	2025 targets
Purchased power	Kao Group in Japan	100% renewable sources

2030 long-term targets

Index	Scope	2030 long-term targets
GHG emissions (absolute quantity)	Across the entire Kao Group product lifecycle	22% reduction (Compared to 2017)*
	All Kao Group sites	22% reduction (Compared to 2017)*
Energy consumption (Per sales unit)	All Kao Group sites	1% reduction yearly (year-on-year, from 2021)
Purchased power	All Kao Group sites	100% renewable sources

* Kao's greenhouse gas reduction targets have received certification from the Science Based Targets initiative (SBTi).

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Achieving targets (for energy consumption and greenhouse gas emissions) for all sites in the group leads to better profits as they contribute to the reduction of business activity operating costs. Additionally, the reduction of CO₂ emissions across product lifecycles can be achieved by reducing raw material use and increasing sales of products with low CO₂ emissions during usage, leading to reduced operating costs and sales growth.

As renewable energy generating costs have been falling steadily for the past few years, switching over to having 100% of the electricity that we purchased generated using renewable energy will lead to reduced electricity purchase costs in the future.

Social impacts

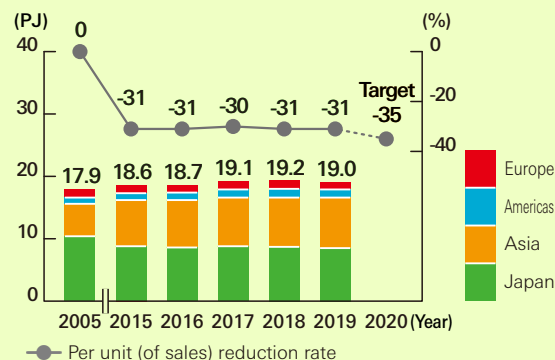
By achieving the above goals, we can reduce greenhouse gas emissions and contribute to realizing the decarbonized society. Additionally, products with low CO₂ emissions during usage can contribute to reduction in consumer spending because they consume less energy and water. Furthermore, they are also effective in reducing the burden of social infrastructure maintenance and renewal concerning energy, water and sewage system.



Performance in 2019

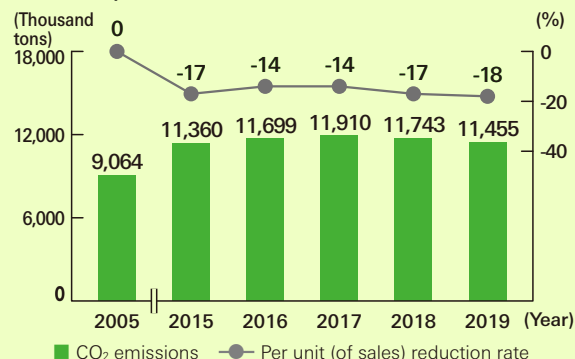
Performance*

Energy consumption (all sites)



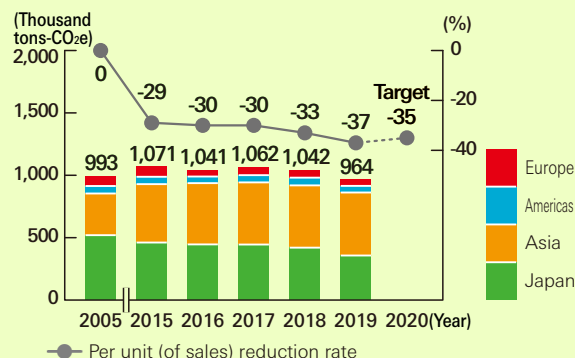
- * Boundary: All Kao Group sites including company cars in Japan.
- * Assurance provided for energy consumption figures.
- * Values for Europe for 2016-2018 have been revised. (The coefficient for purchased renewable power was changed from 3.6 MJ/kWh to the conversion factor for each country.)

CO₂ emissions across the entire product lifecycle (Kao Group)



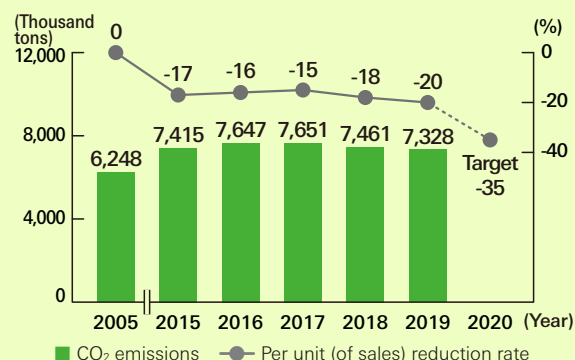
- * "CO₂ emissions across the entire product lifecycle" is calculated as the combined total for the amount of lifecycle CO₂ emissions of individual products sold within and outside Japan, multiplied by their annual sales quantity. Among the lifecycle, the estimated emissions from the manufacturing and distribution processes are substituted by the actual emissions from these processes. However, this amount does not include emissions related to the use and disposal of chemical products.
- * Assurance provided for CO₂ emissions figures and per unit (of sales) reduction rates.

GHG emissions (all sites)



- * Boundary: All Kao Group sites including company cars in Japan.
- * Gases included: The seven GHGs specified by the Kyoto Protocol (only CO₂ for sites outside Japan)
- * Assurance provided for GHG emissions figures.
- * Values for Europe for 2017 and 2018 have been revised. (The revisions reflect the revised values for the Olesa Plant of Kao Corporation [Spain].)

CO₂ emissions across the entire product lifecycle (Kao Group in Japan)



- * "CO₂ emissions across the entire product lifecycle" is calculated as the combined total for the amount of lifecycle CO₂ emissions of individual products sold within and outside Japan, multiplied by their annual sales quantity. Among the lifecycle, the estimated emissions from the manufacturing and distribution processes are substituted by the actual emissions from these processes. However, this amount does not include emissions related to the use and disposal of chemical products.
- * Assurance provided for CO₂ emissions figures and per unit (of sales) reduction rates.
- * Per unit of sales is calculated based on Japanese standards up to fiscal 2015, and on International Financial Reporting Standards (IFRS) from fiscal 2016.

Reviews of performance

CO₂ emissions across the entire product lifecycle in Japan decreased by 288,000 tons over the previous year, representing a fall of 4% compared to 2017. The per unit (of sales) reduction rate improved by 1 point to 18% (2005 baseline) compared to the previous year. CO₂ emissions across the entire product lifecycle in Japan were reduced by 133 thousand tons-CO₂ over the previous year, and the per unit (of sales) reduction rate improved by 2 point to 20% (2005 baseline) over the previous year. The main reason for this improvement was the launch, in Japan, of a new brand of washing detergent specially designed for use in drum-type washing machines, which tend to use less water.

The energy consumption per unit of sales reduction rate at all Kao Group sites remained at 31% as in the previous year, and we did not achieve the reduction target of 34%. Greenhouse gas emissions fell by 9% compared to 2017, and on a per unit of sales basis the reduction rate improved to 37%, meeting the 2019 target of 34% and the 2020 target of 35% one year ahead of schedule. The ratio of renewable energy among purchased energy stood at 28% for the Kao Group as a whole, and at 38% for the Kao Group in Japan.

We offer a wide selection of household products such as water-saving products that reduce CO₂ emissions during the use stage, and also provide various industrial-use products that do the same.

We will further expand our range of products that reduce water/hot water and power consumption in the use stage, which contributes a large portion of total lifecycle emissions, and take steps such as reducing the amount of raw materials used and switching raw materials to those made from renewable sources. Including these avoided emissions, the contributed lifecycle CO₂ emission reduction was 4,153 thousand tons*.

- * Value is calculated as the reduced lifecycle CO₂ emissions of the Kao product in Japan, compared with the standard product as of 2005. The scope includes industrial-use products and household products.



Scope 1 CO₂ emissions (Thousand tons-CO₂e)

	2017	2018	2019
Japan	271	263	259
Asia	290	291	291
Americas	43	49	46
Europe	49	49	48
Total	653	652	644

Scope 2 CO₂ emissions (Thousand tons-CO₂e)

	2017	2018	2019
Japan	173	157	98
Asia	208	207	214
Americas	14	14	6
Europe	13	13	2
Total	409	390	320

* Emissions by scope conform to the Greenhouse Gas Protocol initiative.

Scope 1: GHG emissions emitted directly by the company/ organization

Scope 2: Indirect GHG emissions from purchased electricity, heat, etc.

* Emission factors

Scope 1: In principle, uses factors defined in the Act on Promotion of Global Warming Countermeasures.

Scope 2: In principle, uses the specific factors of the country's laws or regulations. When the specific factor cannot be obtained, the country-based factor released by the International Energy Agency (IEA) is used.

* The values for Europe for 2017 and 2018 contained errors and have been revised accordingly.

Purchased electricity, steam, etc. (terajoules)

	2017	2018	2019
Electricity	7,776	7,663	7,810
Heat	0	0	0
Steam	140	140	149
Cooling	0	0	0

* Electricity is calculated as the calorific value of the primary energy (at the receiving end in Japan, generating end outside Japan).

Fuel consumption by fuel type (terajoules)

	2017	2018	2019
Natural gas	9,047	9,123	8,936
Diesel oil	1,383	1,331	1,405
Gasoline	149	135	123
Other	128	145	142
Waste vegetable oil (heat recovery)	486	553	493

Scope 3 CO₂ emissions (Thousand tons-CO₂e)

	2017	2018	2019
1. Purchased goods and services	4,496	4,430	4,295
2. Capital goods	239	269	342
3. Fuel- and energy-related activities (not included in scope 1 or scope 2)	29	27	30
4. Upstream transportation and distribution	253	253	254
5. Waste generated in operations	58	60	56
6. Business travel	4	4	4
7. Employee commuting	18	21	17
8. Upstream leased assets	0	0	0
9. Downstream transportation and distribution	97	106	107
10. Processing of sold products	119	119	111
11. Use of sold products	4,687	4,570	4,510
12. End-of-life treatment of sold products	1,415	1,452	1,432
13. Downstream leased assets	0	0	0
14. Franchises	0	0	0
15. Investments	8	8	7
Total	11,423	11,319	11,165

* Kao focuses on the categories of 1, 3, 4, 5, 11 and 12 related to site activities to save energy and reduce waste materials, as well as on the product lifecycle.

CDP* evaluation

Our initiatives for the environment have been highly rated by the CDP. The evaluation for 2019 was as follows.

CDP evaluation

Area	2016	2017	2018	2019
Climate change	A-	A-	A-	A
Forests (Timber)	A-	A-	A-	A-
Forests (Palm Oil)	A-	A-	A-	A-
Water Security	A	A-	A	A
Supplier engagement	B	A	A	A



* CDP

CDP is a London-based NPO operated by institutional investors, and it motivates business enterprises to disclose information related to climate change, water and forests.



→ CDP results

CDP 2019 Climate change

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/cdp2019-001.pdf

CDP 2019 Forests

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/cdp2019-003.pdf

CDP 2019 Water Security

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/cdp2019-002.pdf



Our initiatives

Efforts in raw materials procurement

Mitigation

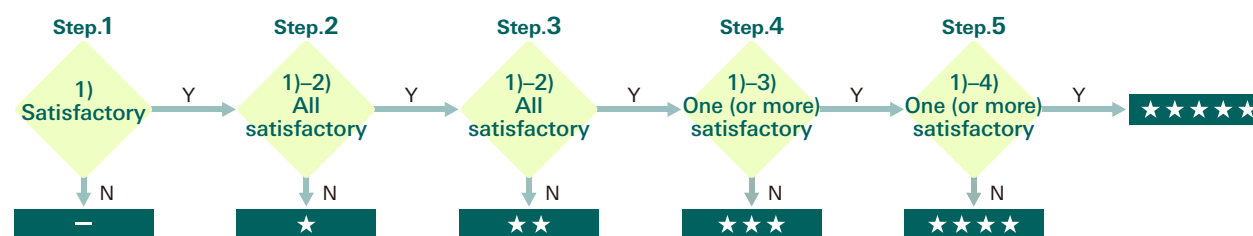
Vendor Summit

We hold the Kao Vendor Summit, which important suppliers are invited to attend, where we give presentations on our ESG-related initiatives, including decarbonization, and request suppliers' collaboration.

CDP Supply Chain Program (Climate change)

In 2009, we became the first Japanese company to participate in the CDP Supply Chain Program. From 2017, in expectation that our suppliers will become more active toward promoting CO₂ reduction activities, we have been evaluating CO₂ reduction activities and have been working to provide the results of these evaluations back to our suppliers. The 2019 survey results showed that the number of suppliers obtaining an evaluation of at least "four stars" had increased by 54 compared to the previous year, indicating that the overall supplier activity level had risen. At the same time, in regard to the roughly 30% of suppliers who failed to respond to the survey, we are working on engagement to encourage these suppliers to respond.

Determination flowchart



Step	Conforming	Implementing	Evaluation targets
1	●	●	1) Replies to some questions
2	●	●	1) Ascertain CO ₂ emission amount (Scope 1 + 2)
		●	2) Ascertain changes in CO ₂ emission amount (Scope 1 + 2)
3	●	●	1) Leadership / organizational readiness
		●	2) Setting targets
4	●	●	1) CO ₂ reduction project recording or CO ₂ emission amount reduction recording
		●	2) Scope 3 (procurement) estimation
		●	3) Estimation of the amount of CO ₂ emissions associated with the portion supplied to Kao
5	●	●	1) SBT setting
		●	2) Adoption of low-carbon energy
		●	3) Adoption of renewable energy
		●	4) Setting of renewable energy targets



CDP Supply Chain Program (Forests)

We have participated in the CDP “Forest” Supply Chain Program since 2018. We expect suppliers providing palm oil, paper or paper pulp to begin sustainable and responsible procurement, which includes procurement preventing deforestation. We assess forest activity status and provide suppliers with feedback on the results of this assessment. The 2019 survey results showed that the number of suppliers obtaining an evaluation of at least “three stars” had increased by 2 compared to the previous year, indicating that the overall supplier activity level had risen. At the same time, in regard to the roughly 15% of suppliers who failed to respond to the survey, we are working on engagement to encourage these suppliers to respond.

Low-carbon raw materials procurement

In collaboration with suppliers, we are working actively to adopt raw materials with lower CO₂ emissions by using plant-based and recycled plastics and thinner cardboard.

Furthermore, by optimizing the volume and frequency of raw materials deliveries, we are reducing CO₂ emissions in the transport of raw materials.

More precise calculation of the environmental burden of raw materials for calculating product lifecycle CO₂ emissions (LC-CO₂)

With the cooperation of those suppliers from which we purchase raw materials that have particularly high CO₂ emissions, we are collecting data on CO₂ emissions produced in the procurement and processing of raw materials. This measure only

improves the accuracy of our CO₂ emission calculations during the raw material procurement process, but also allows us to evaluate the CO₂ emissions reduction initiatives adopted by suppliers, which can then be reflected in lifecycle CO₂ emissions reductions of Kao products.



→ p. 72 Making thoughtful choices for society >
Responsibly sourced raw materials

Adaptation

CDP Supply Chain Program (Water)

Due to climate change, extreme weather is occurring in different places. For instance, there is an increase in short-term frequent heavy rain. Reflecting our focus on strengthening suppliers’ awareness of the need to put water risk systems in place in relation to flooding of rivers and sewage systems caused by heavy rain, and on getting them to take appropriate action, we have been participating in the CDP “Water” Supply Chain Program since 2015.



→ p. 117 Making the world healthier & cleaner >
Water conservation



Developmental efforts

Mitigation

When deciding to launch new and improved products, we verify that the products satisfy the environmental standards outlined by the Design for Environment Guidelines. At the same time, we evaluate CO₂ emissions across the entire lifecycle. The results of these evaluations are used not only to determine product launches, but are also incorporated in future product development.

Especially regarding products that require water during product usage, we are aware that the process of using purification plants to purify the tap water that is used by households, and the process of treating waste tap water in sewage plants after use, requires a great deal of energy and generates CO₂ emissions, and we are actively promoting the development of water-saving products. Furthermore, as products like shampoos that require hot water to use generate even more CO₂ through the process of producing hot water, it is more effective to focus on improving water conservation for products that require hot water.



→ p. 117 Making the world healthier & cleaner >
Water conservation

Adaptation

As global warming progresses, it is apparent that there is a tendency toward higher temperatures and an increased number of sunny days. Demand for UV care products as well as anti-perspirants, etc. are expected to increase during summer. Additionally, as the probability of droughts occurring increases, the demand for water-saving products is also expected to increase. We are working actively to develop products for which there is high demand in summer and water-saving products.

Given that there are expected to be significant restrictions on resource use in future, in order to meet the goals set in the Paris Agreement, there will be high demand for biomass materials that do not compete with food. We have developed Bio IOS surfactant, which uses a type of biomass that does not compete with food and which has not previously been used. Bio IOS surfactant is already in use in our *Attack ZERO* laundry detergent product.

Our total investment in environmentally-friendly R&D, including climate change response measures, in 2019 was 2,361 million yen, while the total cost of this R&D work was 5,559 million yen.



Kao's Bio IOS won an award for the best poster presentation at the CESIO World Surfactant Congress.

Efforts in manufacturing (plants, offices, logistics centers)

Mitigation

1. Efforts to reduce energy consumption

• Introduction of high-efficiency equipment, efficient operation of equipment

Continuing from the previous year, equipment such as chillers, air conditioners and compressors were replaced with Best Practice Technologies (BPT) equipment in 2019. Through optimized control using multiple units of air conditioners and compressors, we are more efficiently operating equipment corresponding to fluctuating demand.

In addition, we are switching lights to LED around the world. Our plants, logistics centers and offices in Japan have accomplished plans announced in 2015, reducing CO₂ emissions by approximately 4.65 thousand tons annually. Affiliated companies outside Japan are also proactively switching to LED lights.

• Eliminating wasted energy

As in the previous year, in 2019 we continued to take steps to find areas with wasted energy, reduce energy use to the minimum required and use unused energy in other processes.

Aiming to improve the efficiency of steam use, we are continuing to strengthen our steam trap maintenance and increase the amount of steam we recover. We are also actively implementing improvement activities at sites to reduce the amount of required energy, including lowering the set temperature of heat-insulated tanks and shortening operating times.



Striving to eliminate energy wastage at our offices. Some of the steps we are taking include turning off unnecessary lights, using person sensors to automatically turn lights on and off, optimizing air conditioner temperature settings and encouraging people to take the stairs to reduce unnecessary elevator use.

We undertook 183 energy-saving activities at Japanese plants and offices in 2019, resulting in approximately 7,095 tons of CO₂ reduction and 240 million yen in cost reduction for the year.

2. Efforts to use cleaner energy

• Clean-burning fuel

Gas fuel, especially natural gas, is the cleanest fossil fuel. We use natural gas at all plants outfitted with the necessary infrastructure. Our plants do not use any coal.

• Use of renewable energy

We are promoting the introduction of solar photovoltaic power generation systems for on-site power generation at Kao-owned facilities. The systems installed at the Tochigi Plant and Toyohashi Plant of Kao Corporation have started generating electricity. The total power generating capacity of these systems was 4,251MWh in 2019. The generating capacity of individual facilities is shown on the right.

We are also promoting the purchasing of electric power that is generated using renewable energy. Kao Chemicals GmbH, Kao Manufacturing Germany GmbH, Kao Corporation SA's three plants in Spain, Kao Chimigraf, Molton Brown, Kao USA*, Kao Corporation's Kawasaki Plant* and Kao Sanitary Products Ehime* have

all converted to purchasing only electric power that has been generated from renewable sources.

In addition, Kao Corporation's Tochigi Plant, Kashima Plant, Odawara Plant, Toyohashi Plant* and Kao Paper Manufacturing Fuji* are all purchasing electric power generated from renewable sources (with the Toyohashi Plant and Fuji Plant having commenced in 2019).

* Started purchasing renewable power in 2019.



Photovoltaic (solar) power generating facilities at Tochigi Plant.

Total generating capacity of solar power equipment (2019)

Company / Plant	Total generation (MWh)
Tochigi Plant, Kao Corporation	1,522
Toyohashi Plant, Kao Corporation	397
Kao Sanitary Products Ehime	396
Kao Transport & Logistics Atsugi Logistics Center	266
Kao Transport & Logistics Sumida Kita Logistics Center	217
Wakayama Office, Kao Corporation	65
Kao Industrial (Thailand)	807
Kao Corporation Shanghai	331
Kao Penang Group (Malaysia)	197
Kao USA	53

Use of this renewable power reduced CO₂ emissions by 95 thousand tons.

3. Reducing the volume of leaked refrigerants and other greenhouse gases

Air conditioners and chillers used in manufacturing are charged with fluorocarbon that has extremely high global warming potential (GWP). To reduce the volume of fluorocarbon leaks from equipment, we have been strengthening our regular equipment inspections.

In addition, we are switching newly installed chillers to those that use low-GWP refrigerant. We installed three systems that use low-GWP refrigerant in Japan.

These systems use R-1233zd(E), an HFO refrigerant, which is readily broken down in the atmosphere. Compared with R-134a, an HFC that is the standard refrigerant for chillers and has a GWP of 1,300, R-1233zd(E) has a GWP of 1, the same as CO₂, and offers excellent performance.

Despite these activities, scope 1 and scope 2 CO₂ emissions at Kao have decreased by 8 thousand tons and 70 thousand tons, respectively, in 2019.

Adaptation

With rising summer temperatures, heat stroke prevention is essential in Japan. Especially for our outdoor workers, we have taken measures such to share the day's heat index, shorten continuous working hours, and prepare drinking water.

Additionally, as new water risks, including more powerful typhoons and localized torrential rains, etc., are likely to emerge as a result of climate change, annual water risk surveys are conducted at our plants.



→ p. 117 Making the world healthier & cleaner >
Water conservation



Efforts in distribution

Mitigation

CO₂ emissions during distribution in Japan were 101 thousand tons-CO₂ in 2019, a 30% reduction (per unit of sales, 2005 baseline). One of the main reasons for this result was the increase in the sales share of products that have a large volume relative to their weight.

1. Increase shipment volumes per shipment

We are proactively making adjustments including improving loading efficiency, changing product sizes and using larger vehicles.

2. Shorten shipping distances

We are continuing to look at ways to revise shipping routes, optimize manufacturing plants and shift which logistics center is used.

3. Use cleaner shipping methods

We are pursuing steps such as switching from truck to shipping methods such as rail and ship, which have lower CO₂ emissions (modal shift).

4. Improve loading ratios

Having trucks return from their shipping destination with a load, instead of returning empty after unloading, i.e., improving the loading ratio, contributes to improving energy efficiency and CO₂ emissions in shipping. Together with AEON Global SCM Co., Ltd., a consolidated subsidiary of AEON Co., Ltd., which handles logistics, we have adopted a trailer relay transportation system in which drivers

switch the trailers they are hauling at a relay point midway between the delivery and return points of the Tokyo metropolitan area and the Chubu region in 2017. This was the first such collaboration between companies of different industries in Japan.



To spread awareness of the two companies' corporate activities, specially-designed containers featuring the corporate colors of Kao and AEON have been used for this initiative.

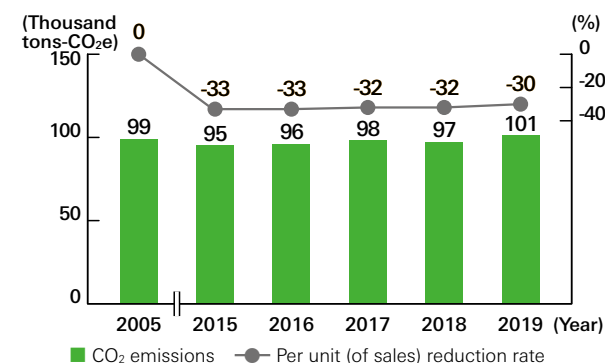
5. To enhance visualization of distribution-related energy usage and CO₂ emissions

We had been making preparations to begin calculating distribution-related energy usage and CO₂ emissions outside Japan starting from 2019. However, the calculation and reporting of distribution-related CO₂ emissions outside Japan for 2019 has been based on estimates. It is anticipated that, for 2020, it will be possible to report amount based on actual distribution data.

Adaptation

With the worsening trend toward short-term, localized torrential rain, there is an increased risk of the supply chain from Kao's factories to our customers being disrupted, with Kao being unable to deliver products on schedule, and a possible need to use roundabout routes over an extended period, leading to an increased environmental burden. When risks appear, in order to take appropriate measures in a short amount of time, subsidiaries are charged with managing product transport to our main market in Japan.

CO₂ emission during distribution (Japan)



* Boundary: Kao Corporation and Kanebo Cosmetics Inc.

* Assurance provided for CO₂ emissions.

* Per unit of sales is calculated based on Japanese standards up to fiscal 2015, and on International Financial Reporting Standards (IFRS) from fiscal 2016.

Efforts during use

Mitigation

We offer a wide selection of products that reduce CO₂ emissions during the use stage.

Some of these leading products include ultra-concentrated laundry detergents that only require one rinse cycle, and shampoo, body wash and dish detergent that reduce the amount of hot water required for rinsing.

In the laundry detergent segment, in 2009 we launched *Attack Neo*, which reduced the lifecycle CO₂ emissions per wash by approximately 22%. In 2019, we introduced *Attack ZERO*, a concentrated liquid clothing detergent that has redefined the whole concept of clothes washing, which uses Bio IOS, our most advanced ever detergent base, as its main ingredient. Within Japan, the way in which consumers do their washing has begun to be transformed, with washing machines that come equipped with a button allowing the user to select a single rinse cycle as a standard feature becoming the norm. Laundry detergents that require only one rinse cycle are offered in Japan and Taiwan.

Additionally, we offer shampoos and other products that prevent hair from tangling, making it easier for heated air from hair dryers to penetrate hair and shorten drying time, reducing their energy consumption.

To help ensure that when consumers use these products, which are capable of effectively reducing CO₂ emissions, they use them properly, we participate in environmental events hosted by local governments and distribution companies, and we have compiled and distributed our “Let’s eco together” brochure, which communicates our initiatives to consumers.

We also offer a wide selection of products for

industry that allow customers to reduce their CO₂ emissions during the use stage. These include a toner with low-temperature fixing, which reduces the photocopier’s power consumption, washing and rinsing agents that can wash and rinse steel plates at low temperature to reduce CO₂ emissions from fuel consumption, a water-based precision substrate cleanser that replaces fluorocarbon-based cleansers, an additive for coating material that helps improve fuel economy by reducing the coating weight of wire harnesses for automobiles, and an additive essential to improving dispersion of a required material for fuel-efficient tires to demonstrate their performance.



Attack ZERO concentrated liquid clothing detergent, which has won the Ten Greatest Products Award (organized by Nikkan Kogyo Shimbun, Ltd.), and the Nikkei Marketing Journal Awards for Superiority (organized by Nikkei).



Essential Smart Blow-Dry
Prevents hair from getting tangled and reduces the time needed for drying by 20% by making the direction of dryer air more precise.

Adaptation

As global warming progresses, the period of time for which there is high demand for anti-perspirants etc. in the summer is lengthening, and demand is expected to rise. We are therefore working to strengthen our development of these types of products. Additionally, as the probability of droughts occurring increases, the demand for water-saving products is also expected to increase.

Our *sonaeru* website provides information about products that will be useful in the unfortunate event of a natural disaster occurring, with a particular focus on products that can help people to maintain good hygiene while living in an evacuation facility.



→ Kao *sonaeru* website (Japanese)
www.kao.co.jp/hisaiji/



Efforts in disposal and recycling

Mitigation

CO₂ emissions in the disposal and recycling stage consist of the following two types. One type is the CO₂ emitted as materials and ingredients made from petroleum degrade when packaging, diapers and other materials disposed of by consumers after use are incinerated, or when wastewater containing cleansing and other agents is treated. The other type is CO₂ emitted from using energy required to operate incinerating and recycling equipment and wastewater treatment facilities. We are working to reduce the raw materials used in packaging and diapers as well as cleansing agents to reduce these CO₂ emissions. We are also using biomass and plant-based plastics deemed to be carbon neutral in terms of the CO₂ emitted during decomposition.

Adaptation

In the future, while the human population continues to increase, it is anticipated that increasingly strict restrictions will be placed on the extraction of fossil fuels, in order to meet the goals of the Paris Agreement, and as a result resource constraints can be expected to become more and more challenging. With this in mind, we are focusing on innovation in reduction*, which reduces the amount of raw materials that we use, and on innovation in recycling, which involves recycling product packaging etc. after use.

* We define innovation in reduction as reducing the quantity of material that needs to be disposed of or recycled by reducing the quantity of raw materials utilized in production.



→ p. 103 Making the world healthier & cleaner >
Zero waste

Examples of major collaboration projects with stakeholders

- Participation in the Green Value Chain Platform and 2°C Target Network Corporate Edition administered by Japan's Ministry of the Environment, offering Kao's Scope 3 efforts as an example and contributing to the calculation of Scope 3 emissions by corporations.
- Cool Choice awareness, promoted by the Ministry of the Environment, and the contribution to lifestyle change for consumers toward decarbonization.
- Participation in the Japan Climate Initiative and the spread of information and opinion exchange on climate change measures promoted by various constituents besides the national government.
- Participation as a member of the LCA Working Group organized by the Japan Chemical Industry Association (JCIA). Publicly disclosing corporate carbon lifecycle analysis (c-LCA) to communicate contributions to CO₂ reductions from the use of chemical products.



Kao representatives attending the Japan Climate Action Summit 2019 (organized by the Japan Climate Initiative)

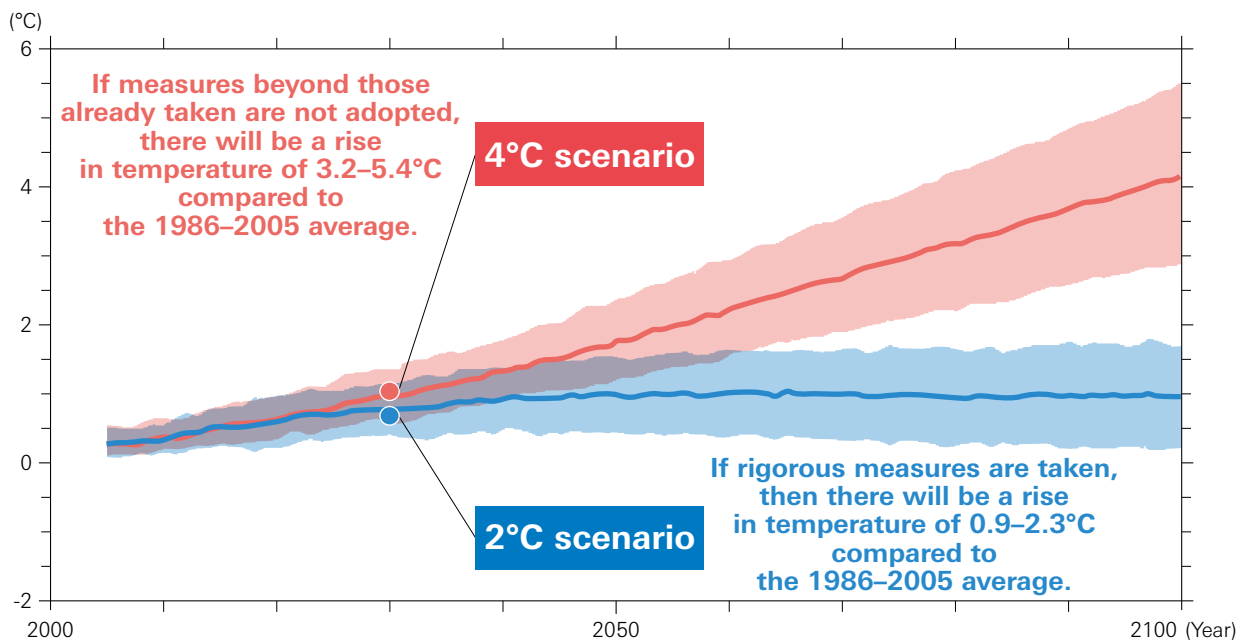


Scenario Analysis

Climate change scenario selection

The Task Force on Climate-related Financial Disclosures (TCFD) final report requires evaluation based on multiple climate-related scenarios, including a scenario that assumes an average rise in global temperature of 2°C or lower. In 2018, we undertook qualitative assessment of risks and opportunities and evaluation of business resilience based on three scenarios: the 2°C scenario, the 1.5°C scenario, and the Nationally Determined Contribution (NDC) scenario. In 2019, we took on the challenge of undertaking quantitative assessment of risks and opportunities. For the implementation of quantitative assessment, we opted to use the 2°C scenario (such as the IEA 2DS Scenario and the IPCC RCP2.6 Scenario, etc.) and the 4°C scenario (such as the IEA Current Policy Scenario and the IPCC RCP8.5 Scenario, etc.), which have been widely used by many organizations throughout the world for impact assessment.

Source: Japan Meteorological Agency, Changes in Average Global Surface Temperature (Deviation from 1986–2005 average)



Source: IPCC Fifth Assessment Report

Analysis process

The scenario analysis that we implemented in 2018 covered the entirety of Kao's corporate activities. However, this made it difficult to examine the impact on individual businesses and individual brands. With this in mind, in 2019 we clarified the objects of analysis, adopting a "story-driven" approach to see how each climate change scenario would affect individual objects of analysis, and performed quantitative assessment of the impact that climate-related risks and opportunities would have on our ability to achieve our corporate vision for 2030, as well as considering possible countermeasures.

1. Refining the objects of analysis

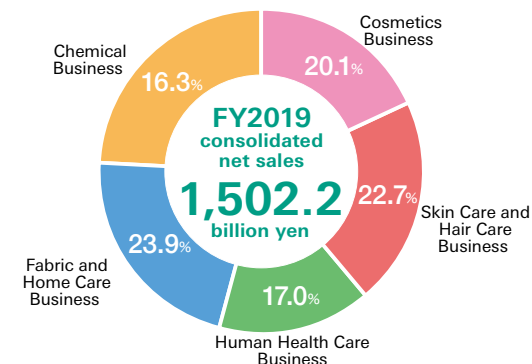
First, out of Kao's five business segments, we selected four business segments to be the objects of analysis, leaving out the Cosmetics business, which is deemed likely to be relatively unaffected by climate change. In each segment, we decided to focus on a particular product line, each of which has its own unique characteristics: body wash and body care products from the Skin Care and Hair Care business, disposable diapers and sanitary products from the Human Health Care business, laundry detergents from the Fabric and Home Care business, and oleo chemicals from the Chemical business.

These product lines include our three mega-brands. By assessing the impact that climate change would have on these product lines, we can infer by analogy what the impact of climate change would be on our other product lines.



The business segments and product lines covered in the analysis

Business	Selected product lines	Significant characteristics based on product lifecycle assessment
Skin Care and Hair Care Business	Body wash and body care products	Water consumption during product has a significant impact.
Human Health Care Business	Disposable diapers and sanitary products	The raw materials procurement process and the waste disposal and recycling process have a significant impact. Large amounts of paper pulp are used as raw materials.
Fabric and Home Care Business	Laundry detergents	The raw materials procurement process and the product use process have a significant impact.
Chemical Business	Oleo chemical products	(Palm oil is used as a raw material, and is also used in the household products business)



On the basis of the scenario analysis performed in 2018, we assessed the relative importance of the impact on our business operations of each risk or opportunity item for the individual brands. Then, in those cases where the results of quantitative assessment showed a significant disparity between the 2°C scenario and the 4°C scenario, we implemented further quantitative analysis.

Refining the objects of analysis

		Assessment item	Impact on business	Selection results	For reference (Current state of Kao's response measures)
Transition risk	Policies, legal restrictions	Adoption and increase of carbon tax	<ul style="list-style-type: none"> Taxation of greenhouse gas emissions. Additional energy-saving capital investment. 	Target	Setting of Scope 1 + 2 emissions reduction target: 22% reduction
		Adoption of restrictions on plastic usage	<ul style="list-style-type: none"> Taxation of packaging made using petrochemical-derived plastics. Cost of switching over to substitute materials. 	Target	Setting of an annual adoption target for revolutionary new plastic-film containers: 300 million units
		Adoption of water intake restrictions	<ul style="list-style-type: none"> Cessation of operations at production plants. 	Excluded	Setting of a water usage reduction target: 45% reduction Implementation of a water risk survey of production plants
	Technology	Switching over to low-carbon products	<ul style="list-style-type: none"> More rigorous requirements to implement decarbonization and adopt 100% renewable energy. 	Excluded	Essential Research
		Adoption of low-carbon energy sources	<ul style="list-style-type: none"> Increased plant operating costs. 	Excluded	Setting of a renewable energy target: 100% (for purchased electricity)
	Markets	Rising price of energy	<ul style="list-style-type: none"> Increased plant operating costs. 	Target	Setting of an energy usage reduction target: 1% reduction per year
		Rising price of raw materials	<ul style="list-style-type: none"> Rising procurement costs for petrochemical-derived raw materials. Rising procurement costs for palm oil. 	Target	Reducing the quantity of raw materials used, and developing technology to use previously unused biomass-materials.
		Changes in consumer behavior	<ul style="list-style-type: none"> Increased demand for products that help to mitigate or are adapted to climate change 	Partial target	Development and provision of low-carbon, water-saving products.
	Reputation	Customers' assessment	<ul style="list-style-type: none"> Change in perceived brand value. 	Excluded	Implementation of appropriate disclosure of information and of communication with stakeholders.
		Investors' assessment	<ul style="list-style-type: none"> Change in investors' assessment 	Excluded	Implementation of appropriate disclosure of information and of communication with stakeholders
Physical risk	Acute	Intensification of abnormal weather conditions	<ul style="list-style-type: none"> Supply chain disruption due to severe weather conditions. 	Partial target	Business continuity planning (BCP) formulation, testing and updating. Implementation of a water risk survey of production plants.
	Chronic	Rising average temperatures	<ul style="list-style-type: none"> Growing demand for sunscreen and anti-perspirant products. Rising air-conditioning costs and heatstroke-prevention costs. 	Target	Proactive development and provision of sunscreen and anti-perspirant products, etc. Heatstroke-prevention measures for persons working outdoors.
		Demand for water outstripping supply	<ul style="list-style-type: none"> Rising water use charges and raw materials prices. Growing demand for water-saving products. 	Partial target	Setting of a water usage reduction target: 45% reduction Setting of a lifecycle water usage reduction target: 10% Provision of water-saving products
		Rising sea levels	<ul style="list-style-type: none"> Cessation of operations at production plants located near the coast. 	Excluded	Implementation of a water risk survey of production plants located near the coast.

2. Scenario definitions

The process by which the impact of climate changes is actualized is defined below.

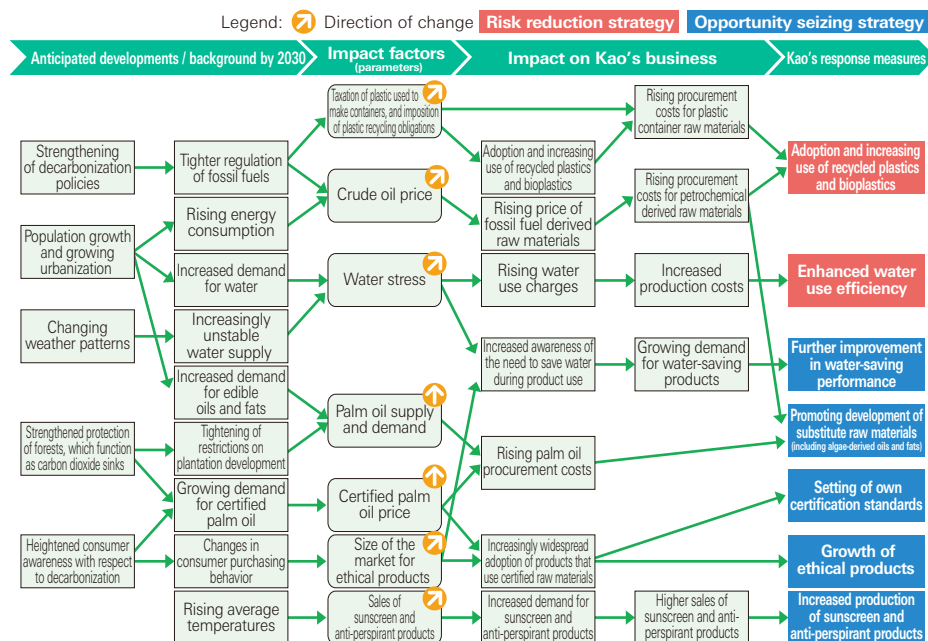
Body wash and body care products

Postulated 2°C scenario

Decarbonization policies are strengthened throughout the world, restrictions on the use of fossil fuels and raw materials are tightened, and forest conservation policies are strengthened. In addition, consumer awareness with respect to decarbonization is heightened. Against this background, demand for certified raw materials increases. At the same time, there is growing demand for energy and water, and for raw materials, accompanying the increased demand for manufactured goods resulting from population increase. Average temperature rises by 1°C above the current level.

It is anticipated that this will result in a rise in the price of crude oil, the imposition of taxation on fossil fuel derived plastics used for containers or packaging and requirements to use recycled plastic, an increased market for ethical products, higher demand for raw materials, a rise in the price of certified raw materials, increased sales of sunscreen and anti-perspirant products, etc.

From the point of view of Kao's business operations, these trends will lead to increased costs for purchasing fossil fuel derived raw materials (particularly in regard to the procurement of certified raw materials), increased use of recycled plastic, higher demand for water-saving products, and increased demand for sunscreen and anti-perspirant products. Measures that Kao will be implementing in response would include the development and widespread adoption of revolutionary new plastic-saving plastic film containers, the setting of water usage reduction targets at production plants and lifecycle water usage reduction targets, the adoption of substitute raw materials (e.g. use of algae and previously unused raw materials), etc.

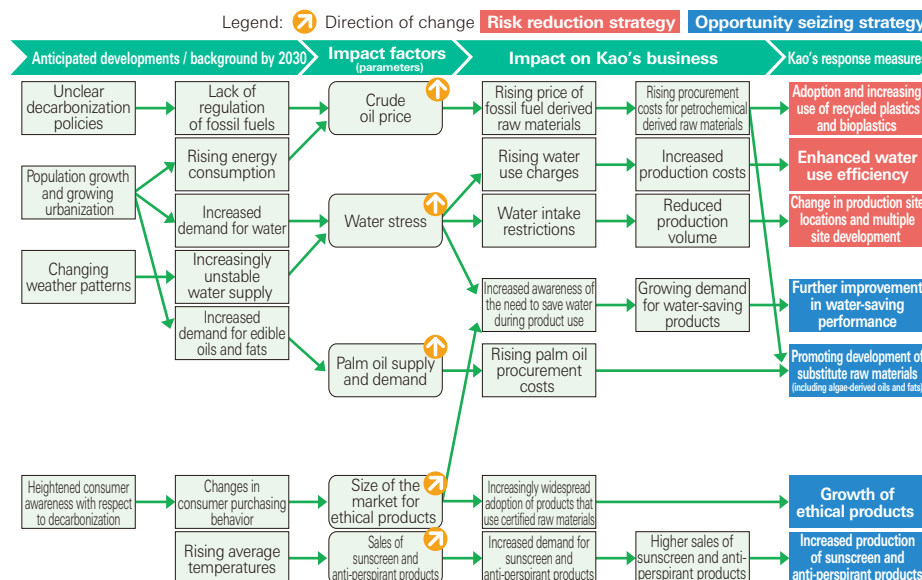


Postulated 4°C scenario

Decarbonization policies are unclear, and new restrictions are not placed on the use of fossil fuels, but consumer awareness with respect to decarbonization is heightened to some extent, and demand for certified raw materials also increases. At the same time, there is growing demand for energy and water, and for raw materials, accompanying the increased demand for manufactured goods resulting from population increase. Average temperature rises by 3°C above the current level.

It is anticipated that this will result in a rise in the price of crude oil, increased water stress, higher demand for palm oil, and increased sales of sunscreen and anti-perspirant products, etc.

From the point of view of Kao's business operations, these trends will lead to increased costs for purchasing fossil fuel derived raw materials, restrictions on water intake, higher demand for water-saving products, and increased demand for sunscreen and anti-perspirant products. Measures that Kao will be implementing in response would include the development and widespread adoption of revolutionary new plastic-saving plastic film containers, the setting of water usage reduction targets at production plants and lifecycle water usage reduction targets, the adoption of substitute raw materials (e.g. use of algae and previously unused raw materials), etc.





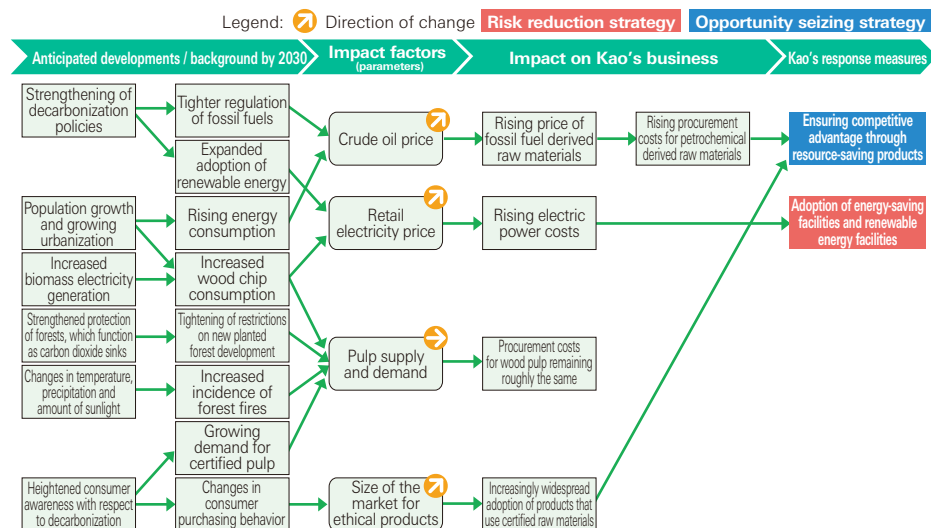
Disposable diapers and sanitary products

Postulated 2°C scenario

Decarbonization policies are strengthened throughout the world, restrictions on the use of fossil fuels and raw materials are tightened, and there is increased use of biomass to generate electric power. In addition, consumer awareness with respect to decarbonization is heightened. Against this background, demand for certified raw materials increases. At the same time, there is growing demand for energy and raw materials, accompanying the increased demand for manufactured goods resulting from population increase.

It is anticipated that this will result in a rise in the price of crude oil, higher retail electricity prices, changes in the paper pulp supply and demand situation, and an expanded market for ethical products, etc.

From the point of view of Kao's business operations, these trends will lead to increased costs for purchasing fossil fuel derived raw materials, higher electricity purchase costs, and increased production of products made using certified raw materials. Measures that Kao will be implementing in response would include the development of resource-saving diapers, and continued investment in energy-saving facilities and facilities that utilize renewable energy.

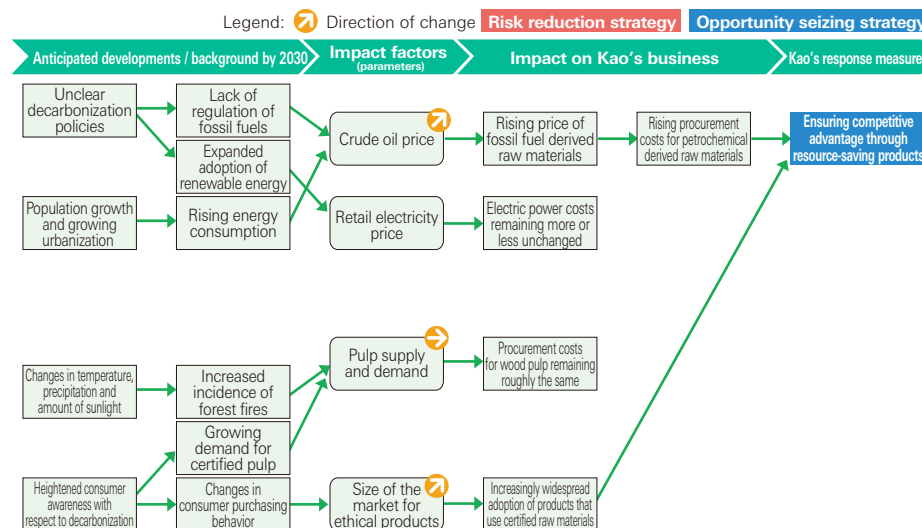


Postulated 4°C scenario

Decarbonization policies are unclear, and new restrictions are not placed on the use of fossil fuels, but consumer awareness with respect to decarbonization is heightened to some extent, and demand for certified raw materials also increases. At the same time, there is growing demand for energy and raw materials, accompanying the increased demand for manufactured goods resulting from population increase. Average temperature rises by 3°C above the current level.

It is anticipated that this will result in a rise in the price of crude oil, an expanded market for ethical products, and an increased frequency of forest fires, etc.

From the point of view of our business operations, these trends will lead to increased costs for purchasing fossil fuel derived raw materials, and increased production of products made using certified raw materials. Measures that Kao will be implementing in response would include the continued development of resource-saving diapers.





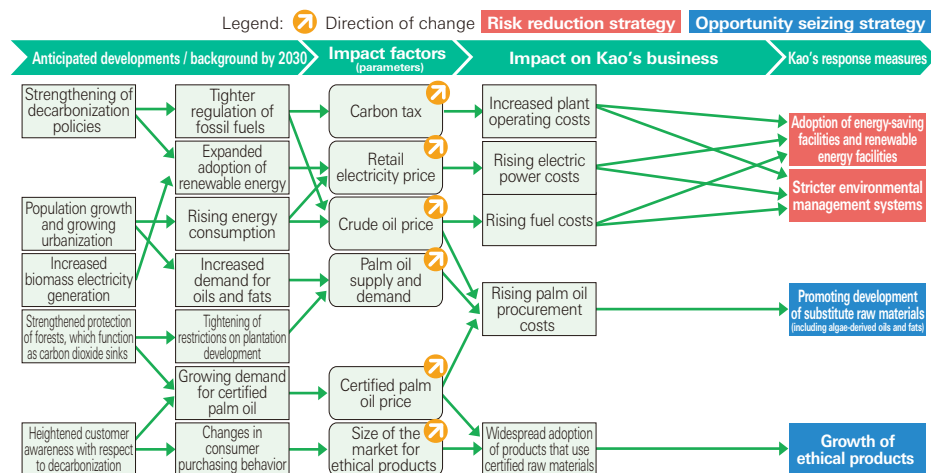
Oleo chemical products (Chemical Business)

Postulated 2°C scenario

Decarbonization policies are strengthened throughout the world, restrictions on the use of fossil fuels are tightened, forest conservation policies are strengthened, and there is increased use of biomass to generate electric power. In addition, consumer awareness with respect to decarbonization is heightened. Against this background, demand for certified raw materials increases. At the same time, there is growing demand for energy and raw materials, accompanying the increased demand for manufactured goods resulting from population increase.

It is anticipated that this will result in higher carbon taxes, higher retail electricity prices, an increase in the price of certified palm oil, and an expanded market for ethical products, etc.

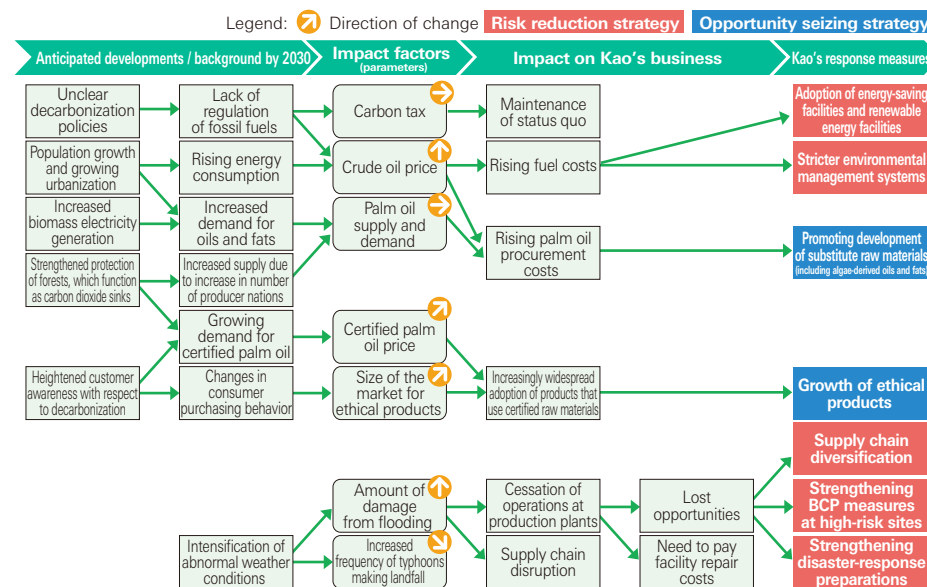
From the point of view of our business operations, these trends will lead to increased operating costs (including carbon taxes, electric power costs, fuel costs and palm oil purchasing costs), and increased production of products made using certified raw materials. Measures that Kao will be implementing in response would include the setting of energy-saving targets, greenhouse gas emissions targets and renewable energy adoption targets, the adoption of substitute raw materials (e.g. use of algae and previously unused raw materials), etc.



Postulated 4°C scenario

Decarbonization policies are unclear, and new restrictions are not placed on the use of fossil fuels, but consumer awareness with respect to decarbonization is heightened to some extent, and demand for certified raw materials also increases. At the same time, there is growing demand for energy and for palm oil, accompanying the increased demand for manufactured goods resulting from population increase. However, restrictions relating to forest conservation will be limited, and an increase in the number of countries engaged in palm oil production will lead to increased supply of palm oil. There will be an intensification of abnormal weather conditions. It is anticipated that this will result in a rise in the price of crude oil, an expanded market for ethical products, and an increased level of damage from typhoons and flooding, etc.

From the point of view of Kao's business operations, these trends will lead to increased fuel costs, higher palm oil purchasing costs, cessations of factory operation and disrupted supply chains. Measures that Kao will be implementing in response on a continuing basis would include the adoption of energy-saving facilities and facilities that utilize renewable energy, more rigorous environmental management systems, development of substitute raw materials, strengthening of business continuity planning (BCP) measures in relation to the supply chain, etc.





3. Estimation of business impacts in 2030

We assessed the impact on “What Kao Aims to Be by 2030” separately for each of the four product lines. More specifically, we assumed that by 2030 Kao would have annual sales of 2.5 trillion yen (representing 167% growth compared to 2018), and the baseline profit / loss for 2030 was calculated on the assumption that profit / loss would grow in proportion to the increase in sales from the profit / loss level in 2018. We estimated the business impacts on this baseline profit / loss. In order to compare the impact of the factors affecting our business across the different scenarios, we performed the assessment only on factors whose differing impact between the 2°C scenario and the 4°C scenario could be quantified. For this reason, there were some factors for which the assessment was not performed, even if the potential impact of that factor could be quite substantial. There were also factors where, although the potential impact by 2050 was significant, the potential impact in 2030 was limited.

		Assessment item	Assessed financial impact	Assessment results for 2030 (+: a positive impact, -: a negative impact, ND: no significant impact, the number of symbols: the size of the impact)				Kao's response measures
				2°C scenario		4°C scenario		
Transition risk	Policies, legal restrictions	Adoption of and increase in carbon tax	Increase in operating costs due to adoption of and increase in carbon tax	Increase in operating costs due to adoption of new taxes and increase in tax rates	--	No adoption of carbon tax or increase in tax rates	ND	Setting of Scope 1 + 2 emissions reduction target, and ongoing emission reduction activities
		Adoption of restrictions on plastic usage	Taxation of packaging made using petrochemical-derived plastics	Increase in procurement costs due to adoption of new taxes	-	No adoption of new taxes	ND	Publicization of the innovation in reduction implementation strategy Setting of an annual adoption target for revolutionary new plastic-film packages, and ongoing plastic use reduction activities
			Increased costs due to requirement to use recycled plastic	Increased procurement costs due to the rising price of recycled plastic resulting from the introduction of requirements to use recycled plastic	-	No new requirements to use recycled plastic	ND	Publicization of the innovation for recycling implementation strategy Increasing use of packages made using recycled plastic
	Markets	Rising price of energy	Fluctuations in the retail electricity price	Increased costs due to the rising retail electricity price	-	Reduced costs due to the falling retail electricity price	+	Setting of energy consumption reduction targets, and proactive installation of solar panels for the company's own use
		Rising price of raw materials	Rising procurement costs for fossil fuel derived raw materials	Rising procurement costs for fossil fuel derived raw materials	--	Increased costs due to the rising price of crude oil	---	Ongoing activities to reduce the quantity of fossil fuel derived raw materials included in products that use fossil fuel derived raw materials
			Rising procurement costs for palm oil	Increased procurement costs due to supply shortages resulting from tighter restrictions on forest development	-	No change in procurement costs due to increased supply resulting from the development of new palm oil plantations	ND	Promoting development of and commencing utilization of substitute raw materials (including algae-derived oils and fats, and previously unused biomass materials)
			Rising procurement costs for paper pulp	No change in procurement costs because supply remains adequate to meet demand despite the increase in forest fires	ND	No change in procurement costs because supply remains adequate to meet demand despite the increase in forest fires	ND	—
Changes in consumer behavior	Increased sales of ethical products	Increased demand for ethical products among the generation who will account for the largest share of overall consumption in 2030 leads to sales growth.	++	Increased demand for ethical products among the generation who will account for the largest share of overall consumption in 2030 leads to sales growth.	++	Ms. Rika Sueyoshi, Director General of the Ethical Association, has been invited to join our External ESG Advisory Board, and we are also engaged in the development and provision of ethical products.		
Physical risk	Acute	Intensification of abnormal weather conditions	Increased damage from flooding	While flood risk is increasing, it is difficult to accurately forecast the amount of damage that will be suffered	-	While flood risk is increasing, it is difficult to accurately forecast the amount of damage that will be suffered	-	BCP adjustment Implementing water risk surveys with respect to suppliers
		Rising average temperatures	Higher sales of sunscreen and anti-perspirant products	Increased sales in Japan between March and November each year	+	Increased sales in Japan year-round	+	Production planning adjustment
	Chronic	Demand for water outstripping supply	Increase in operating costs due to increased water charges	Increased operating costs at factories operating in drought-affected areas	-	Increased operating costs at factories operating in drought-affected areas	-	Setting of water use reduction targets, and ongoing water use reduction activities

4. Strategy for the future

On the basis of the results obtained in this quantitative assessment of the impact on “What Kao Aims to Be by 2030,” we were able to determine the existence of the following limits.

- 1) Regarding the increase in sales of ethical products, which will have the biggest positive impact, we did not identify any information indicating a disparity between the two scenarios.
- 2) It was not possible to quantify the damage that our business operations will suffer from localized torrential rain and typhoons, risks which have already been actualized in Japan.
- 3) There was a lack of information indicating the possibility of a disparity between the two scenarios in terms of the impact on the production of palm oil, which constitutes an important raw material for us.

In the future, we will be implementing follow-up surveys on these items. If quantitative assessment is not practicable, then we will strive to enhance the precision of qualitative assessment.

Regarding the state of our response to financial impact assessment items, we were able to confirm that, at the present time, the response is broadly satisfactory.



Help drive the transition to a circular economy by optimizing material selection and minimizing their use, recycling all our waste, and making our packaging practically reusable and recyclable.

Kao's creating value to address social issues

Social issues we are aware of

Considering that the world's resources are limited, standards of living are rising, and needed resources are steadily increasing as the global population continuously grows, the one-way economic models of the past will no longer support prosperous lifestyles and culture into the future. Consequently, efforts to achieve high levels of economic growth and create recycling-based societies, in other words, to develop secular economies that seek compatibility with high resource productivity, are gaining momentum around the world.

In regions where social infrastructure (i.e., waste treatment systems) is not sufficiently developed for the increases in the amount of waste generated including household waste, there are numerous instances of environmental pollution due to waste being dumped or insufficiently treated at disposal facilities. In addition, improper conduct by consumers after use results in waste dumped on land entering the oceans. Plastic in particular does not decompose naturally, and the volume of marine plastic waste continues to increase. Estimates are that by 2050, there will be more plastic in the ocean environment by weight than the weight of all the fish in the oceans. This marine plastic is starting to have detrimental impacts on marine ecosystems.

To keep temperature rise due to climate change under 2°C/1.5°C, consumption of fossil fuels must be

drastically reduced. Consequently, production of plastics, which are made from fossils fuels, may fall dramatically compared to current levels. It is obvious from clear that existing plastic containers made with large amounts of fossil fuel derived plastic are not sustainable.

Kao's creating value

We are involved in many activities for increasing resource productivity in collaboration with various stakeholders.

We are continuously implementing 3R activities to reduce, reuse and recycle waste plastic generated at plants, distribution sites and offices and with regard to products and packaging.

In the area of plastic packaging in particular, we are undertaking ongoing development and use of film packages that use about one-sixth the plastic, and products in refillable film containers are becoming popular in Japan. We are rolling out these technologies to overseas group companies, making it possible to reduce the amount of plastic used in packaging. It goes without saying that if ordinary consumers also use these products, the effects will be even more substantial.

Furthermore, efforts to recover waste that has already been released into the environment greatly contribute to the protection of marine and land ecosystems.

Risks related to realization of our vision by 2030

Items	Contents
Policies, legal restrictions	Stricter regulations on the processing of waste generated from business sites, increased regulation on consumption of plastic packaging (mandatory use of recycled plastic, taxation), mandatory labeling of information on plastic use, etc.
Technology	Increased volumes of waste generated from business sites in conjunction with the manufacture of new products and unsuccessful attempts to develop technology for reducing plastic consumption or using recycled plastic.
Markets	Higher disposal costs as a result of increases in the volume of waste generated in excess of disposal capacity throughout society, changes in consumer preferences, rising costs for virgin plastic or recycled plastic, etc., criticism of industries and individual companies, rising concerns from stakeholders, etc.
Reputation	Criticism of the industry or of individual companies, stronger concerns among stakeholders, changes in consumer preferences, etc.

Opportunities related to realization of our vision by 2030

Items	Contents
Resource efficiency	Lower disposal costs as a result of decreases in the volume of waste generated from business sites and lower costs for packaging, better transportation efficiency, etc. as a result of reducing plastic consumption.
Products, services	Reduction in the volume of waste generated through the development of resource-saving products, higher sales due to expanded use of packaging using less plastic and development of innovative packaging, higher income due to licensing of development technology.
Markets	Higher sales due to improved access to new markets, use of public incentives for developing innovative technologies, etc.
Resilience	Improved resilience through actively continuing to promote 3R activities for plastic packaging.

Contributions to the SDGs





Policies

We continue to implement activities aimed at reducing waste at every stage from product development to disposal.

In accordance with our fundamental policies on the environment and safety, we are working to develop technologies that take into consideration resource conservation, energy conservation, waste reduction and other issues in the product design stage. In production, we are taking measures to efficiently use resources and energy and to reduce, reuse and recycle waste and byproducts. Furthermore, the Kao Responsible Care Policy contains the following declaration: “We shall reduce, reuse and recycle waste and strive to continuously reduce environmental impact.”

Our Environmental Statement embodies our commitment to ensuring that “Kao products ... utilize original Kao-developed technologies to minimize the impact they have on the environment, not just in the manufacturing process, but in the daily life of the customers who use them. From materials procurement and manufacturing, to distribution, sales, use and final disposal, we want to engage in ‘eco together’ with stakeholders and consumers worldwide.”

It is expected that in a decarbonized society, the use of fossil fuels will be restricted even as demand for convenient plastics increases worldwide, and we are aware of the need to reduce the amount of plastic used in the future while switching to plastics that are not made from fossil fuels.

We announced “Our Philosophy & Action on

Plastic Packaging” in October 2018, expressly stating that our action on plastic packaging is driven by our 4R programme based on continuous improvement and bold innovation.

As a part of carrying out ESG-driven *Yoki-Monozukuri*, we announced in September 2019 that we will focus on innovations for reduction and recycling so that we can create a plastic recycling based society.



→ p. 113 RecyCreation activities



→ Basic Principle and Basic Policies on Environment and Safety

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf

→ Kao Responsible Care Policy

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf

→ Kao Environmental Statement

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environmental-statement.pdf

→ Statement regarding our plastic packaging

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/plastic-packaging-001.pdf

→ New Challenges of the Kao Group into the Future

www.kao.com/global/en/news/business-finance/2019/20190926-001/

Efforts in raw materials procurement

To reduce waste generated at our plants, we continuously work with external suppliers to adjust the volume and frequency of raw materials deliveries. This contributes to reducing the amount of packaging materials we procure from suppliers as well as reducing CO₂ emissions from the transport of raw materials.

Measures taken in relation to our products

We offer products such as disposable diapers and cleaning sheets that become waste after consumer use. While ensuring product performance, we are developing technologies to reduce the amount of materials used in products and contribute to reducing waste in order to reduce the amount of waste generated after product use. This also reduces costs and CO₂ emissions in conjunction with waste processing.

We also use recycled plastic for some of our products. As a result, we are able to reduce the amount of virgin plastic used, which leads to a reduction in the use of fossil fuels, the raw material for plastic. We are aware that these measures are important for solving the problem of plastic and creating a decarbonized society.

In addition, we are making a switch concerning the eye-catching plastic stickers used on products to attract consumers’ attention to certified paper when they absolutely must be used and eliminating all other use by the end of 2021.

Initiatives targeting packaging

Kao undertakes measures in compliance with the ISO 18600 series standards for packaging and the environment. Specifically, we are reducing the amount of plastic used in packages and reducing the use of plastic packages, which have become a serious social issue, from a 4R (reduce, replace, reuse, recycle) perspective.

In terms of reducing, we are promoting the use of thinner packaging, the adoption of refill and replacement product. The use of plastic film packaging enables to slash the use of plastic to just one-sixth compared to plastic bottles. To expand the use of film packaging, we have continued to make improvements to these refill products according to bottle size, the viscosity of the contents and so on to make refilling easier for consumers, and we encourage the internal and external use of innovative film packaging. We are also exploring the possibility of in-store refilling whereby consumers bring packaging to the store and purchase only the products they are filled with.

With regard to replacing, we are working to replace fossil fuel derived plastics with alternative materials such as paper and glass as well as recycled plastic and plant-derived plastic. We have been using recycled paper for the carton boxes and instructional inserts for many products, including powdered laundry detergent, since the 1960s, and we plan to expand use.

As for reuse, we have adopted an approach for reusing bottles in the home by providing consumers with refill and replacement product. We are also working on a take-back system to accept packaging from customers for washing and reuse.

Last is recycling. As one aspect of our *Yoki-Monozukuri* measures, rather than treating the product launches as the end point, we take responsibility for

products through disposal and treatment. Based on the fundamental technology that we have accumulated until now, we are focused on creating innovative recycling technologies for used plastic, developing and using high-quality, low-cost recycled plastics, encouraging activities that generates value from used plastic and using plastic waste for industrial applications.

Efforts in development, manufacturing and sales

We are reducing the amount of waste generated at our plants and offices, and we are reusing and recycling waste and other materials inside and outside the company. We have set reduction targets for how much waste we generate and are working company-wide to achieve them.

At plants, we are reducing loss of raw materials and products. For example, for liquid products, wastewater sludge is produced as a result of cleaning the mixing and storage tanks at the production facility when the product produced is switched. For sheet-type products, a portion of the sheet material is left unused when the material is switched out. We are studying loss reduction countermeasures on an ongoing basis according to the type of loss that occurs. We then implement improvements to reduce waste.

Because products that are returned from stores are ultimately disposed of as waste, considerable expense and impose environmental burdens arise including the waste of resources and GHG emissions during the disposal process as well as considerable disposal-related expense. Going forward, we will work with stores to review product shipping and placement methods in an effort to minimize waste. In addition, sales promotion materials are discarded after use, so

we are making a transition to disseminating information using digital means.

Enhancing waste recycling

It would be difficult to reduce generated waste to zero with currently available technology. Accordingly, we ensure that generated waste is thoroughly sorted, and we select the most appropriate recycling methods in cooperation with contracted waste treatment providers. We monitor the amount of waste recycled and sent for final disposal along with the amount of waste generated to improve how waste is treated overall.

Preventing illegal dumping of waste

When contracting waste treatment service providers to dispose of waste generated at our plants and offices, there is a risk of illegal dumping. To reduce this risk, we regularly visit the service providers to verify that the contracted waste is being disposed appropriately. The Kao Group in Japan has created a database containing information including contracts with waste treatment service providers and the results obtained from surveys of appropriate waste treatment to prevent illegal dumping. This system is also connected to the Electronic Manifest System, which also ensures prevention of illegal dumping.

Proper storage and treatment of PCB waste

Polychlorinated biphenyls (PCBs) were formerly used in insulating oil, such as in transformers and ballasts, but they have low degradability and therefore pose a risk to human health and to creating hazards in living environments. We appropriately store and treat PCB-containing waste in accordance with the law until its disposal is contracted to a service provider.



Education and promotion

Many of our products became waste after use. We are facing this fact earnestly and recognize the importance of giving of our employees the chance to learn about the generation of waste from our business activities and used products through various programs and to actively engage in waste reduction measures of their own accord. To this end, we have created many opportunities for employee education.

Collaboration and engagement with stakeholders

Methods of processing waste generated from our business activities as well as waste generated by consumers and customers after using our products are regulated by government agencies. We are working proactively to address this issue through collaboration and consultation with government agencies and industry associations so that we can recycle even more waste or make it easier to process waste. Furthermore, it will be difficult to reduce the amount of plastic used in packaging and to increase recyclability without the cooperation of suppliers, and therefore, we actively engage in exchanges of opinions and joint development.

Reducing waste generated after consumers use products will require consumers to select products manufactured with fewer resources, so we actively engage in consumer education in collaboration with government bodies, industry associations and distributors.



The Internal Control Committee meets one or more times each year, receiving activity reports from the Responsible Care Promotion Committee and other

subordinate committees that it oversees and auditing the activities of those committees. Opportunity management of waste generated from used products is handled by the ESG Committee, which meets four times a year. Committee members are the persons in charge of the business, sales, R&D, SCM and other divisions, an arrangement which connects divisions horizontally. The Internal Control Committee, and the ESG Committee, which supervise and discuss environmental issues including waste derived from

```
graph TD
    Board[Board of Directors] --> ICC[Internal Control Committee]
    Board --> MC[Management Committee]
    Board --> ESGC[ESG Committee]
    ICC --> MC
    ICC --> ESGC
    MC --> ESGC
    MC --> RCP[Responsible Care Promotion Committee]
    RCP --> ESGC
    RCP --> Divs[Each division and Group company]
```

Internal Control Committee

Chairperson: President and CEO

- Disclosure Committee
- Compliance Committee
- Information Security Committee
- Risk and Crisis Management Committee
- Responsible Care Promotion Committee
- Quality Management Committee

Responsible Care Promotion Committee

Chairperson: Executive officer Responsible for Corporate Strategy

Members:

- Consumer Products Business Division
- Consumer Communication Center
- Chemical Business Division
- R&D Division
- Product Quality Management Division
- Supply Chain Management Division
- Procurement Division
- Human Capital Development
- Head Office Division (Sumida Office)
- Kao Group Customer Marketing Co., Ltd.
- Kanebo Cosmetics Inc.
- Kao Professional Services Co., Ltd.
- Kao Transport & Logistics Co., Ltd.

Secretariat: RC Department and Product Quality Management Division

Each division and Group company

* As of December 2019.



Mid- to long-term targets and performance

2020 target relating to waste

In 2013, we set the 2020 reduction targets for waste and other unwanted materials generated at all Kao Group sites and have aimed to achieve a reduction of 0.5% each year. The target percentage of final disposal at all Kao Group sites in Japan has been increased in phases. We began with the target of 0.5% or lower in 2004, then 0.2% or lower in 2007 and 0.1% or lower since 2010.

Index	Scope	2019 targets	2020 targets
Generated waste and other unwanted materials* ¹	All Kao Group sites	33% reduction	33% reduction
Final disposal ratio* ²	All Kao Group sites in Japan	0.1% or lower	0.1% or lower

*1 Per unit of sales (2005 baseline).

*2 Ratio destined for final landfill disposal to the amount of generated waste.

2021 target relating to eye-catching stickers

- Complete elimination of eye-catching stickers (When stickers are absolutely necessary, certified paper will be used)

2025 mid-term targets relating to packaging

- Develop film packaging made from a single material
- Shift to 100% recyclable, reusable packaging
- Consumption of recycled plastics: x5
- Consumption of bio-based plastics: x3

2030 mid-term targets relating to Zero waste

Items	Scope	Targets for 2030
Quantity of innovative film packaging penetration	Kao Group and other companies	300 million products* ¹
Amount of waste* ²	All Kao Group sites	Zero

*1 Annual penetration amount

*2 Amount of waste not recycled from business sites

Anticipated benefits from achieving mid- to long-term targets

Business impacts

It will be necessary to raise productivity in order to curtail the amount of waste and the like generated from business activities. If productivity is raised, manufacturing costs can be reduced. In addition, promoting recycling can also be expected to reduce waste processing costs.

By using innovative film packaging both internally and externally and meeting our targets for reducing plastic consumption, we can boost sales in new markets and earn revenue from licensing our patents.

By increasing consumption of recycled and bio-based plastics, we can also avoid new taxes on the use of virgin plastic.

Social impacts

By curtailing waste and the like generated from business activities, promoting recycling to achieve zero waste, and developing a society where innovative film packages that can drastically reduce the amount of plastic used are widespread both inside and outside Kao Group will contribute to enhancing resource productivity throughout society as a whole. Doing this will contribute to realizing a recycle-based society and make it possible to offer consumers clean products in a future society with limited resource availability. These are important approaches for carrying out the Kirei Lifestyle and achieving One Planet Living vision.



Performance in 2019

Waste

Performance

1. Amount of generated waste and other unwanted materials

Due to reduction efforts at our worksites in 2019, the amount of generated waste and other unwanted materials came to 225 thousand tons, a decrease of 3 thousand tons compared with the previous year, resulting in a 1 percentage point improvement in the reduction rate (per unit of sales) over the previous year to 27%, but did not reach our target of a 33% reduction. We will continue to strengthen our activities to reduce generated waste and other unwanted materials. We will continue to strengthen our activities to reduce generated waste and other unwanted materials.

Of the generated waste, 22 thousand tons were hazardous waste. No hazardous waste was transported internationally under the Basel Convention.

2. Recycling

Waste reused or recycled* came to 209 thousand tons ☒*, a recycling rate of 93%.

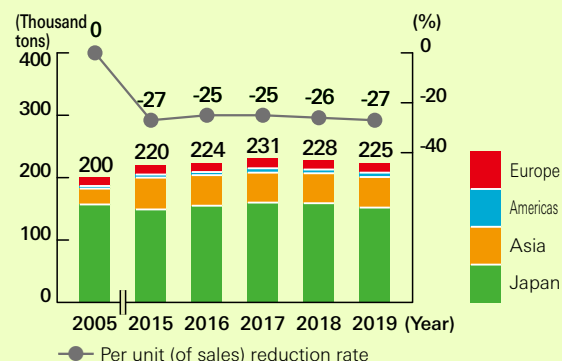
We maintained our target of a 0.1% or lower final disposal ratio for waste. We have achieved our target of zero emissions for the 15th consecutive year since the target was set (final disposal ratio to generated waste for all Kao Group worksites in Japan).

In 2019, while we saw an improving trend in the amount of generated waste, reducing the gap with our 2020 target is a challenge and we will continue conducting activities to reduce waste.

* Includes thermal recycling (heat recovery).

* Assurance provided for amount of generated waste since 2015.

Amount of generated waste and other unwanted materials ☒ (all sites)



* Boundary: For 2005, all Kao Group production sites and non-production sites in Japan. From 2015, some non-production sites outside Japan are also included.

* Assurance provided for amount of generated waste and other unwanted materials.

* Per unit of sales is calculated based on Japanese standards up to fiscal 2015, and on International Financial Reporting Standards (IFRS) from fiscal 2016.

3. Inspection of waste treatment facilities

In 2019, we conducted inspections of 192 waste treatment sites with the cooperation of 153 waste treatment companies (Japan). As a result, no waste treatment companies were found to be in noncompliance with our evaluation standards.

4. Eye-catching stickers

We have started working towards the complete elimination of eye-catching plastic stickers.



Performance in 2019

Packaging

Performance

1. Develop film packaging made from a single material

Development of film packaging made from a single material is underway in collaboration with film makers and converters.

2. Shift to 100% recyclable, reusable packaging

Plastic packaging used for household products in Japan are required to have structures that enable facility under the Act on the Promotional Sort of Collection and Recycling of Containers and Packaging and are already 100% recyclable.

We are currently confirming the definition of recyclable packaging in other countries and regions.

3. Amount of recycled plastic used

Recycled plastic (PCR) is used for shampoo, conditioner and body wash by Kao (Taiwan) Corporation, for *Jergens* body wash in the Americas, and *Guhl* shampoo and other products sold in Europe, and the total amount used has reached 333 tons (2.2 times the amount in 2018).

4. Amount of bio-based plastics used

Bio-based plastics are used for *Merit* shampoo and conditioner, *Segreta* shampoo and conditioner, *CuCute* 1,500ml containers, *Raku-raku Eco Pack Refill*, and shampoo and treatment, and other products, and the total amount used has reached 463 tons (1.2 times the amount in 2018).

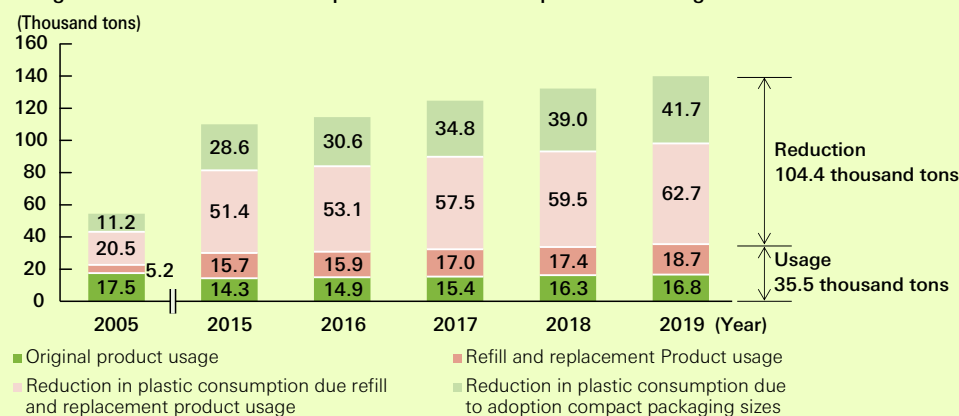
5. Amount of packaging used

Kao Corporation, Kanebo Cosmetics Inc. and Kao Professional Services Co., Ltd. combined used a total of 160.6 thousand tons of packaging.

Kao Corporation used 146.8 thousand tons of packaging, of which 59.7 thousand tons were plastic packaging. These figures were +2.8% and +4.6%, respectively, compared to the previous year. Kao Corporation now offers 326 refill and replacement product (as of December 2019), with a penetration rate of 84% and slightly more than 80% recently. The refill ratio for fabric softener and fabric bleach in particular now stands at more than 90% (unit basis). Consumption of plastic for refills and replacements has dropped by 62.7 thousand tons, totaling 104.4 thousand tons when making products more concentrated is accounted for, compared to if products had been in original plastic packaging. Overall reduction rate was 74.6%.

* Corrugated board, paper, plastic, metal, glass

Usage and reduction volume of plastic in refill and replacement categories



* Boundary: Kao Corporation

* Body wash, hand soap, shampoo & rinse, liquid laundry detergent, fabric softener, kitchen cleaner, household cleaner, bleach, mold remover.

* The values for Original product usage and Reduction in plastic consumption due to adoption compact packaging sizes in 2018 contained errors and have been revised accordingly.



Our initiatives

Measures taken in relation to our products

Reducing the amount of product materials used

We continue to reduce the materials used in making products that become waste after product use by consumers. For example, we reduced the product weight of medium-sized *Merries* disposable taped diapers by 37% while improving product function compared to its 1990 version.

Products that use raw materials with low environmental impact

Paper hot water pipes handled by the Chemical Business Division combine molding technologies with high-temperature material technologies and are made from waste paper. Compared to general ceramic hot water pipes, the amount of raw materials used is reduced to one-tenth and post-use waste to one-sixteenth.

Products that use recycled materials

We use recycled materials for some of our products. We have been using recycled paper in the carton boxes and instructional inserts of many products since the 1960s, including powder-type clothing detergents. We use recycled polypropylene (PP) in the

measuring spoon for *Attack* powder type laundry detergent, which was first put on the market in 1987, and recycled polyethylene terephthalate (PET) in the fibers of *Quickle Wiper* floor dry cleaning sheets, which first appeared on the market in 1994.

Initiatives targeting and packaging

Initiatives to reduce

Smart Holder and Raku-raku Eco Pack Refill

In 2017, we proposed *Raku-raku Eco Pack Refill*, which can be used with our *Smart Holder*, improving usability and allowing the product to be completely consumed, thus reducing environmental impact. This eliminates the need for an original plastic bottle.

Until now, these were sold only on our online site, but we implemented a full-scale rollout to stores in April 2020. We believe this will make them accessible to more consumers and will encourage use.

For this technology we were awarded the Minister of Economy, Trade and Industry Prize, the grand prize at the 57th Japan Packaging Competition, and a Good Design Award, all in 2018.



Smart Holder and Raku-raku Eco Pack Refill

Refillable in stores

Molton Brown has made refills of eau de toilette and eau de parfum available in some stores in the UK since 2019. Repeatedly using bottles reduces environmental impact.



In-store refilling system

Total elimination of eye-catching plastic stickers

Eye-catching plastic stickers attached to products provide consumers with information on product advantages and correct usage at the time of purchase, but they increase the amount of plastic used, and the increase in plastic waste and CO₂ emissions at the time of disposal is an issue.

As a result, we are working to completely eliminate the use of eye-catching plastic stickers. Some *Bioré u* body wash products, body care products and bath additives successively released from April 2020 have all of the information that was contained on eye-catching stickers in the past printed on the bottle to eliminate the use of eye-catching stickers.



Initiatives to replace

Use of recycled plastic

We are increasing the use of recycled plastic for packaging around the world.

In 2019, we launched packaging made of recycled products for *Ghul* brand products sold in Germany and *Jergens* products sold in the Americas.

Use of bio-based plastics

We are actively developing technologies for using bio-based plastics for bottles and refills. Since we began this initiative in 2012, our consumption of bio-based plastics and the range of products for which they are used have continued to expand.

For example, *Raku-raku Ecco Pack Refills* are made from 15% bio-based plastic on a weight basis.



Products using packaging made from bio-polyethylene



Kao Shampoo, Kao Body Wash, Bioré Prime Body, and Men's Bioré Shampoo in Taiwan: Adopted packaging using 100% recycled plastics since 2016.



Ghul brand haircare products sold in Germany, Austria, Switzerland and the Netherlands: Shampoo bottles made with 50% recycled polyethylene terephthalate (PET) and conditioner tubes made 100% from recyclable polypropylene introduced in stages starting in 2019.



Jergens brand products sold in the Americas: Bottles made with 50% recycled polyethylene terephthalate (PET) for some body wash products introduced in 2019.



Quickle Wiper Wet Sheets in Japan: Packaging is made from 80% recycled plastic.





Reuse: Promoting refill and replacement products

We continue to provide refill and replacement products and expand sales of *Smart Holder*.

Printer head refurbishment

In 2012, Kao Collins launched a refurbishment program for some inkjet printer heads that are no longer usable. Curtails the number of printer heads that are discarded, leads to a reduction in environmental impact.

Take back system creation

The Chemical Business Division is conducting a program to reuse sold product packaging (take back system) to reduce their environmental impact. In 2019, we collected and reused 13,769 IBC packages used by customer companies.

Initiatives to recycle

RecyCreation activities

We have been engaged in research toward creating a new resource recycling system for packaging. We have proposed the RecyCreation approach, which generates new value by adding technology and the knowledge and ideas of various people to used items. To date, we have continuously conducted verification in five areas with members of the community.

In a trial, we collected used refill packs for laundry detergent, shampoo and other products from members of the community and recycled them to create a block of recycled plastic that symbolizes "creation" of various objects and values that will be useful for community development and lifestyle development.

This project was reported in activities the 2019 White Paper on the Environment issued by the Ministry of the Environment and has received outside commendation, such as the EcoPro 2019 Executive Committee Chairman's Award.



→ RecyCreation on Facebook (Japanese)
www.facebook.com/RecyCreation.jp/

The RecyCreation Concept



Award ceremony for the EcoPro 2019 Executive Committee Chairman Award.

Efforts in development, manufacturing and sales

Reducing the amount of waste produced

We handle a large number of liquid products, and reducing the sludge produced from treating concentrated wastewater generated in the process of cleaning tanks and switching products is a major issue.

Kao Industrial (Thailand) treats wastewater using separate wastewater treatment facilities according to the COD concentration of the wastewater, which has successfully reduced the amount of sludge produced and contributes to reducing waste. Fatty Chemical (Malaysia) is also considering introducing equipment to treat wastewater.

Also, to contribute to reducing the amount of generated waste at retailers, we are working with the understanding and cooperation of retailers to reduce the number of boxes used in the delivery of products.

Enhancing waste recycling

One example of this is recycling the waste generated by the manufacture of diaper and feminine products to be turned into plastic pallets. We began test operation of this system at our plants in 2016, with cooperation from research laboratories and related divisions using the strengths of our matrix management.

By 2019, we were able to recycle 615 tons of waste into approximately 39,520 plastic pallets.



Assessment of environmental impact on society

In 2019, we continued our work with Norihiro Itsubo, Professor of Faculty of Environmental Studies, Tokyo City University, and used the LIME3 method to conduct an environmental assessment of the use of refill packaging common in Japanese society. Results of the assessment indicated that societies that use refill packaging have a lower environmental impact than societies that recycle original plastic packaging.

Spreading internal awareness of zero waste

Global RC Meeting

As a part of our responsible care measures, RC managers of subsidiaries with plants hold an annual meeting in Japan. The aims are to invigorate RC activities and raise their level including reducing waste produced by subsidiaries.

RC Environment Committee of the SCM Division

The RC Environment Committee of the SCM Division meets twice annually to gain an understanding of conditions at each plant and share information on best practices with the objectives of curtailing the production of waste from plants and promoting recycling.

A packaging review meeting

To promote activities and understanding internally, Packaging Technology Research holds packaging review meetings when new and improved products

are launched. Members from the relevant divisions, including business units, the SCM Division and the Consumer Communication Center, evaluate the environmental performance of the packaging. In 2019, we held packaging review meetings 48 times in Japan and 8 times elsewhere in Asia.



A packaging review meeting

Collaboration with stakeholders based on “eco together”

“eco together” with consumers/customers

Kao introduces its initiatives in packaging at EcoPro exhibition, at the Kao Eco-Lab Museum and elsewhere, to help consumers opt to use more product refills and replacements, in order to greatly reduce plastic consumption.

“eco together” with business partners

Recognizing that it is essential to collaborate with manufacturers producing materials, recycled plastics and packaging when developing and launching new packaging, we work together with a wide range of business partners.

“eco together” with society

Clean Ocean Material Alliance

We are participating in the Clean Ocean Material Alliance, which was established to encourage global initiatives for solving the ocean plastic pollution problem. The Kao Corporation President and CEO is chairman of the alliance, and Kao is taking a leading role among Japanese businesses.



→ Clean Ocean Material Alliance
cloma.net/english/

Formulate policies to address the problem of plastic waste as a member of Japan TCGF

We participate in the Japan TCGF, in which companies in consumer good distribution industries play a central role, to solve common issues in non-competitive fields in Japan. The Japan TCGF has taken up the issues of plastic waste and will address it, and we participated in the formulation of policies that will serve as the foundations for future measures.



→ Formulation of policies on the problem of plastic waste (Japanese)
www.kao.com/jp/corporate/news/2019/20190605-002/

Containers and Packaging Diet Campaign sponsored by a group of nine prefectures and cities in Japan

We proactively participate in activities organized by the central and local governments, where we provide information about Kao technologies and exchange opinions with other participants. We participated in the Containers and Packaging Diet Campaign sponsored by a group of nine prefectures and cities in Japan for the 10th year running, ever since the program began. This campaign addresses consumers to promote reducing the amount of packaging waste discharged by households.

Package collection measures

Together with outside organizations, we are involved in recovering packaging, etc. discharged into the natural environment. We also independently conduct clean-up activities for river and ocean waste and in the community.

Introducing cases at seminars and lectures on waste

In Japan, there have been reported that many incidents occur at waste treatment companies, which are caused by not providing sufficient information on the chemical substances to the contractor when contracting the waste treatment.

Therefore, we present cases at various seminars regarding waste with the aims of spreading our knowledge about past successful cases of improving communication with waste treatment companies, and identifying points of improvement in how we communicate information.

Thanks to these activities, there were again no incidents involving waste contracted for disposal from us in 2019.





Message from External Expert

My Expectations for Kao's Ambitious Targets for "Zero Waste"



Masanobu Ishikawa

Professor Emeritus, Kobe University
President, NPO Gomi-Japan

Main Points of Kao's Zero Waste Measures

1. High-level commitment as a maker
2. Product system reductions going beyond simple weight reduction
3. Step-up from high reduction achievements
4. Tackling the challenges of material recycling of laminate films
5. Collaboration with diverse parties including citizens, governments and NPOs

Future Issues for the Audit & Supervisory Board

1. Securing economic feasibility to ensure sustainability of the entire system
 - 1.1. Developing demand for recycled materials
 - 1.2. Reducing cost of recycling
2. Active involvement by various actors and designing incentives to make this possible
 - 2.1 Increasing efficiency of collection from consumers
3. Establishing voluntary industry standards for target packaging

Upon reading Kao's Kirei Lifestyle Plan 2020, its ESG Strategy, I was impressed with how far Japanese companies have progressed. Until now, Japanese companies have earnestly attempted to solve problems by using an "actions speak louder than words" type approach, but few have externally announced their objectives in advance.

Addressing pollution originating from plants and other sites is an internal technical issue with the cost of countermeasures borne by companies. Although companies made their best efforts to achieve the objectives demanded by society, control measures were internalized and closed to those outside a company. When dealing with an issues that involves numerous diverse parties such as the creation of a sustainable society, measures cannot be limited to within one company.

The more parties involved in the measures to address a problem, the more difficult it is to coordinate among them, but there is no other path to solving such problems. To solve such problems, it is necessary that someone stand up and take the initiative. Leading companies are most suited to playing this role. Kao's "Our Philosophy & Action on Plastic Packaging" should be praised for stating that no plastic should be released into the natural environment and plastic including that which has already been released should be collected and recycled.

I think it wonderful that the measures to achieve this lofty ideal are not temporary, and Kao seeks to create a system where all stakeholders can carry out sustainable measures with minimal burden on their day-to-day activities.

Among the measures for achieving zero waste are the RecyCreation activities. This program seeks to collect used refill packs for soap, shampoo and other products to conduct material recycling. However, refill packs are made of composite films that use multiple kinds of plastics, and the frequency and volume of waste generation are low.

The value of mixtures of different types of plastic

recovered from the market is considerably reduced, as the material ratios are not stable and the physical properties are inferior to a single material. In addition, since the volumes generated are low, it is difficult to collect refill packs as source separated items under the current collection system. It is also quite difficult to separate refill packs from other types of plastic packaging after collection. Because of these issues, material recycling of refill packs is an extremely difficult challenge and has not been undertaken in the past.

Nonetheless, if a goal is set to not to release plastic into the natural environment and to recover and recycle plastics, a path will emerge from the perspective of considering how this can be achieved.

Refill packs have a relatively similar material composition, including the products of other companies; therefore, if it is possible to collect only refill packs, then material ratios will be quite stable. Since refill packs are lightweight and are generated at low frequency, the burden on consumers from bringing them to collection sites is small, making them suitable for collection sites.

Kao has collaborated with civic organizations including NPOs and the Girl Scouts as well as local governments to implement various types of collection systems with some success. The next step is to analyze the performance of each collection method and expanding them with a view to implementing methods that have not yet been tried for nationwide roll-out.

Development of uses for recovered materials is another major issue. This too is a difficult task but using such materials in Kao's products can be an effective path. These issues are challenging, but Kao has grown with technology at the core of its corporate personality and can be expected to solve them. I hope that the development and design team for packaging would involve various external parties to create a team to systematize and expand collection to achieve major goals through close cooperation.

Water conservation 102-12, 102-15, 103-1, 303-1 (Water and effluents 2018)



Reduce water use across all of our business by adopting water-efficient formulations and production methods.

Kao's creating value to address social issues

Social issues we are aware of

Water is necessary to life for all plants and animals on the Planet. All humans also need access to sustainable sources of sanitary water in order to maintain the whole-hearted satisfaction and enrichment. In Japan, water used for washing apparently accounts for the largest share of total household water usage^{*1}. Furthermore, given that water used by Japanese households when using Kao products accounts for around 15% of all household water usage in Japan^{*2}, we recognize that we have a big responsibility to society.

Currently, problems including localized heavy rains and floods, chronic drought and related long-term dry conditions, are arising in many regions and are predicted to grow in severity due to future population growth and climate change.

^{*1} Water Resources Department, Water and Disaster Management Bureau, Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

^{*2} Based on a survey conducted by Kao Corporation.

Kao's creating value

We aim to substantially improve water usage efficiency in all stages of the product lifecycles. At our plants, we set targets and continue to aim for water use reduction. We believe that this contributes toward safeguarding the river basins (rivers and their sources) that are used to supply water to the plants.

We are also developing water-saving products, which we are rolling out globally, to reduce water consumption during product use. As we see it, in this way, even if restrictions are placed on water usage, consumers can continue to enjoy lives of cleanliness.

Contributions to the SDGs



Contents	Editorial Policy	CEO Message	Kirei Lifestyle Plan KPI definitions	Independent assurance report
Kirei Lifestyle Plan	Making my everyday more beautiful	Making thoughtful choices for society	Making the world healthier & cleaner	Walking the right path

Water conservation 102-15, 103-1, 303-1 (Water and effluents 2018)



Risks and opportunities related to realization of our vision by 2030

Due to the impact of climate change, the impact of drought and localized torrential rains is already being seen all over the world. Governments and business enterprises are implementing various measures to reduce GHG emissions, but further rises in temperature are inevitable, and the resulting impacts are sure to become even more serious.

At the same time, the number of people living in the world's major cities continues to increase. If urban water infrastructure is unable to keep pace with urban residents' continually increasing demand for water, then residents may not have enough water to use, and it may be impossible to implement wastewater treatment

properly. In this case, citizens' cleanliness and sanitation may be under threat. Furthermore, if the cost of municipal water supply rises, then factory operation costs will rise too, with a risk that this may lead to reduced profits.

On the other hand, because the rise in awareness of the need to save water and the need for cleanliness and hygiene, which has emerged in relation to climate change, is closely linked to Kao's business areas, current developments also represent a significant opportunity for us. Furthermore, continuous implementation of measures to reduce factory water usage in response to the situations outlined above should lead to both cost

reductions and increased profits.

If no action is taken to reduce usage, the overall municipal water usage of the Kao Group as a whole in 2030 will be 1.66 times higher than in 2017. Assuming that water charges rise by 20%*, then it can be anticipated that our costs will rise by 771 million yen. We have set ourselves the goal of reducing water usage by 45% by 2030 compared to 2005, which is expected to keep the increase in costs down to 51 million yen.

* Source: Development Bank of Japan, The Water Supply Sector: Future Forecasts and Management Reform, 2017.

Risks and opportunities related to realization of our vision by 2030

Items		Content
Risks	Transitional risk	Enactment of water-related policies and regulatory regimes has the potential to increase our supervisory costs in this area. Investing in better facilities and developing of new technologies to comply with policies and regulations will mean higher equipment and operating costs, which could negatively impact our profitability. In addition, national or regional policies to limit water intake depending on plant locations or increased risk of water sources drying up could cause unscheduled production stoppages and result in lower sales.
		Examples of possible policy or regulatory restrictions •Plant wastewater regulation. •Regulation of use of chemical substances in products. •Product labeling programs for environmental performance or chemical substance content. •Water intake restrictions.
		Technology Risk of profit reduction due to higher operating costs entailed by higher R&D costs for developing water-saving and other products for dealing with water risks. Risk of failing to increase sales if technologies developed do not work out.
		Market If drought persists at the national or local level, limits on water consumption during product use may be imposed. While this creates opportunities in the form of stronger demand for water-saving products, we face the risk that sales of non-water-saving products may fall. Risk of lower sales if water-saving product technology levels fail to match levels demanded by the market.
	Physical risk	Reputation Risk of reputational harm due to insufficient measures or inadequate disclosure for dealing with the above risks.
		Acute Risk that short droughts or flooding due to localized downpours may stop plant operations and make production impossible. Similar conditions at suppliers' plants could make it impossible for us to procure raw materials, with the risk that we could not continue manufacturing products. There is also the risk that supply chains, from suppliers to our plants, and from our plants to our customers, could be interrupted. These risks, meaning that we could no longer supply our products to the market, would negatively impact sales, and if such risks actually materialized, would require special measures at additional cost, thus reducing our profits. In addition, damage to infrastructure due to widespread flooding would severely affect consumers' lives and reduce consumption activity, which carries the risk of lower sales for us.
Opportunities	Chronic	In the case of our plants or suppliers located in areas where severe drought may occur, there is a risk that we may not be able to increase production necessary for future growth. There is also the risk that sales of water-using products may decline in these areas.
		Resource efficiency Continuing to reduce water use at our plants reduces operating costs for manufacturing products and is an opportunity to increase profits.
		Products, services Our product development system centers on interface control technology. Interface control literally means controlling how substances mix with each other. This technology enables us to continue developing water-related products, for example, detergents that rinse readily or cement that does not readily mix with water, thus enabling us to respond appropriately to market changes.
		Markets If restrictions on water use materialize after a disaster due to flooding or downpours, the spotlight will be on water-saving products, presenting an opportunity to increase sales. Construction of a more resilient infrastructure is also an opportunity to boost demand for concrete and cement additives essential for construction work.
		Resilience Continuing to reduce water use at our plants and require suppliers to implement water risk surveys help improve our resilience with regard to water issues in manufacturing our products. We have been offering advice to consumers for over 60 years, and thanks to a database built up over 40-plus years, we can forecast consumer trends and propose new products, an activity necessary for improving the resilience of our business.



Policies

The product use stage accounts for around 90% of total lifecycle water usage for Kao products, with the raw materials procurement stage accounting for only around 10%. As one of Japan's leading manufacturers of consumer products, we are demonstrating leadership by actively rolling out new, water-saving products and striving to realize effective engagement with government bodies and suppliers.

We continue to implement activities aimed at minimizing the negative impact on water conservation at every stage, from product development through to disposal.

In our Policies Regarding the Environment and Safety, we undertake to "Assess environment and safety aspects throughout the entire lifecycle of the products, from manufacture through disposal, when developing products and technologies. Offer products with lower environmental impact to ensure safe usage by consumers, providing appropriate information i.e. instructions regarding proper use, cautions."

Furthermore, the Kao Responsible Care Policy contains the following declarations: "We shall strive to develop technologies and bring to market products that reduce our impact on the environment, thereby contributing to the peace of mind of our business customers and consumers," and "We shall strive to continue to reduce the environmental impact of our business operations by promoting reduction of uses of resources such as water."

Our Environmental Statement embodies our commitment to ensuring that "Kao products utilize original Kao-developed technologies to minimize the impact they have on the environment, not just in the

manufacturing process, but in the daily life of the customers who use them. From materials procurement and manufacturing, to distribution, sales, use and final disposal, we want to engage in 'eco together' with stakeholders and consumers worldwide."



→ Basic Principle and Basic Policies on Environment and Safety
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf

→ Kao Responsible Care Policy
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf

→ Kao Environmental Statement
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environmental-statement.pdf

Education and promotion

In line with the "eco together" motto of the Kao Environmental Statement, we are working together with a wide range of stakeholders to promote a variety of different environmental protection activities, including water conservation. We are also implementing water conservation education and working to spread awareness of our initiatives.

"eco together" with consumers/customers

As the product usage stage accounts for around 90% of total product lifecycle water use, raising consumers' awareness about water is extremely important. For example, even if a consumer buys single-rinse laundry detergent, if the consumer sets the washing machine to do

two rinses, then there will be no reduction in water usage. It is thus very important for us to accurately communicate the environmental value that our products can provide and encourage consumers to use them properly. By organizing a wide range of different events, we aim to get across the importance of water conservation and the environmental value of Kao's activities and products.

"eco together" with business partners

In order to help our customers realize a Kirei Lifestyle, we continue to implement heartfelt *Yoki-Monozukuri* manufacturing and deliver the resulting products to our consumers and customers. This is something that we cannot achieve on our own. At every stage from raw materials procurement through production to delivery and sales, etc., we collaborate with a wide range of business partners. We believe that it is important to share our vision with our partners so that we can take action together, and we have established a number of different venues for sharing information with them.

"eco together" with society

We proactively participate in activities organized by the central government, local government authorities and NPOs, etc., where we provide information about Kao technologies and exchange opinions with other participants.

Employee education and promotion

Our employees are not only in the position to develop and supply products, but once they leave the company, they are consumers for the rest of their lives and are the ones who select those products. We thus recognize the importance of giving our employees the opportunity to learn about issues related to water through various programs and to actively engage in water conservation activities of their own accord.



Framework

Risk management is carried out by the Internal Control Committee and opportunity management is carried out by the ESG Committee, under the supervision of the Board of Directors. These committees are headed by the President and CEO.

The Responsible Care Promotion Committee, which manages policy/regulatory regime and technology risks, and the Risk and Crisis Management Committee, which manages market, reputational and acute risks, are under the Internal Control Committee. These committees are headed by the executive officer in charge of the Corporate Strategy.

The Responsible Care Promotion Committee of Corporate Strategy Division acts as the Responsible Care Promotion Committee Secretariat while the Crisis Management Department of Corporate Strategy Division acts as the Risk and Crisis Management Committee Secretariat.

The Responsible Care Promotion Committee meets twice a year to report on and discuss compliance with laws and regulations, status of water use reduction and other matters. It also sets targets for the following year. The Responsible Care Promotion Committee conducts monthly checks on compliance with laws and regulations, and monitors water use, mainly at plants which have a large impact on water issues, reporting on these and other matters to the head of the committee, committee members, members of the Internal Control Committee, auditors and others. The Risk and Crisis Management Committee which manages natural disaster and reputational risks, meets four times a year.

The Internal Control Committee meets one or

more times a year, receiving activity reports from the Responsible Care Promotion Committee and the Risk and Crisis Management Committee which it oversees and auditing the activities of the two committees.

Opportunity management relating to water issues is handled by the ESG Committee, which meets four times a year. Committee members are the persons in charge of the business, sales, R&D, SCM and other divisions, an arrangement which connects divisions horizontally. The Internal Control Committee, and the ESG Committee which it supervises, discuss water and environmental issues as well as social and governance issues. The committee reports on its activities to the Board of Directors one or more times a year and is audited by the Board of Directors.

The risk and opportunity management system for water resources is the same as the management system for climate change.



→ p. 86 Making the world healthier & cleaner >
Decarbonization/Framework

Mid- to long-term targets and performance

Targets for 2020

We set the 2020 reduction targets for water consumption for all Kao Group sites in 2013 and have aimed to achieve a 1% reduction each year.

We set the 2020 reduction targets for water consumption during the product use stage for the Kao Group in Japan in 2009. (2005 baseline)

Index	Scope	2019 targets	2020 targets
Water consumption	All Kao Group sites	40% reduction	40% reduction
	During consumer product use for the Kao Group in Japan	—	30% reduction

2030 long-term targets

Item	Scope	2030 targets
Water consumption (per unit of sales)	All Kao Group sites	45% reduction (2005 baseline)
	Overall Kao Group product lifecycles	10% reduction (2017 baseline)
	Overall Kao Group product lifecycles in drought areas	40% reduction (2017 baseline)

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Achieving water consumption targets for all Kao Group sites will contribute to lowering operational costs and to improving earnings. For achieving water consumption targets during product use, we must increase sales of water-saving products, and reaching this target can help increase sales.

Social impacts

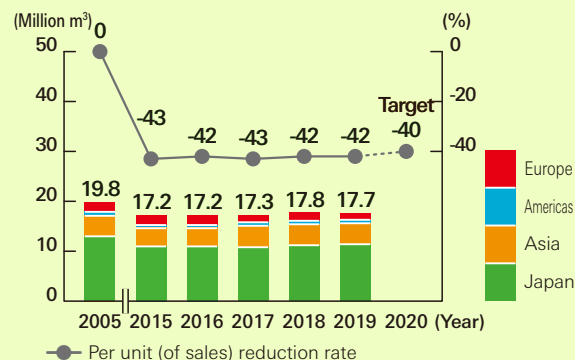
Achieving the above targets will contribute to sustainable availability or supply of fresh water in the river basins in question, and will have a positive effect on conserving ecosystems. In addition, this will also lead to reductions in waterworks infrastructure maintenance and replacement expenses and fees consumers pay for water and sewer service.



Performance in 2019

Performance*

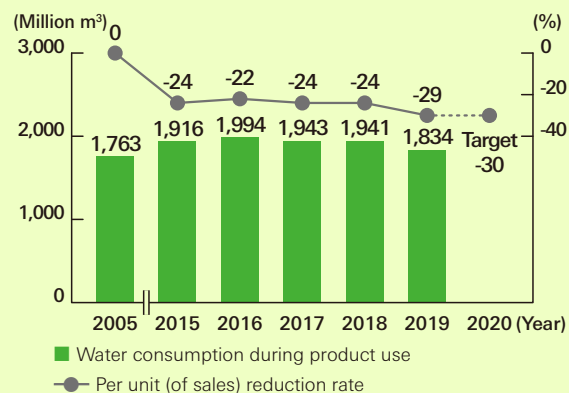
Water consumption (withdrawal) (all sites)



* Boundary: For 2005, all Kao Group production sites and non-production sites in Japan. In 2015, some non-production sites are included, and from 2016 all non-production sites are included.

* Assurance provided for water consumption (withdrawal).

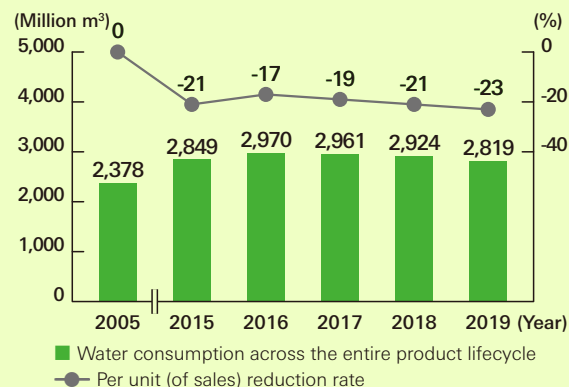
Water consumption during product use (Kao Group in Japan)



* Water consumption during product use is calculated by multiplying the water consumption per unit of a product, mainly for consumer products in Japan, by the annual sales quantity of the product, and then adding all the results for these products together.

* Assurance provided for water consumption and per unit (of sales) reduction rates.

Water consumption across the entire product lifecycle (Kao Group)



* "Water consumption across the entire product lifecycle" is calculated as the combined total for the amount of lifecycle water consumption of individual products sold within and outside Japan, multiplied by their annual sales quantity. Among the lifecycle, the estimated water consumption during the manufacturing and distribution processes is substituted by the actual use during these processes. This amount includes water used for procurement in regard to chemical products but does not include water used in the use and disposal of such products.

* Assurance provided for water consumption and per unit (of sales) reduction rates.

Water withdrawal amount by source (Million m³)*

	2017	2018	2019
Surface water	0	0	0
Brackish water/seawater	0	0	0
Rainwater	0	0	0
Groundwater (renewable)	5.1	5.3	5.1
Groundwater (not renewable)	0	0	0
Oil-contaminated water/process water	0	0	0
City water	12.2	12.5	12.5
Wastewater from other organizations	0.03	0.02	0.07

* Boundary: All Kao Group sites

Wastewater discharge by destination (Million m³)*

	2017	2018	2019
Rivers/lakes	2.3	2.4	2.5
Brackish water/seawater	5.8	6.4	6.3
Groundwater	0.0	0.0	0.0
Sewage system	2.8	2.9	2.8
Wastewater to other organizations	0.0	0.0	0.0
Total	10.9	11.7	11.7

* Boundary: All Kao Group sites



→ For the CDP evaluation see p. 89 Making the world healthier & cleaner > Decarbonization/Performance in 2019: CDP evaluation

Reviews of performance

Our water consumption (all sites) came to 17.7 million m³, slightly less than the previous year for a per unit (of sales) reduction rate of 42%, almost the same as the previous year. We again achieved our 2019 and 2020 targets, as in the previous year. Water consumption at production sites with water intake risks came to 3.0 million m³.

Our water consumption across the entire product lifecycle (Kao Group) and water consumption during product use (Kao Group in Japan) decreased by 105 million m³ and 107 million m³, respectively, resulting in respective improvement of 2 percentage points in the per unit (of sales) reduction rate to a 23% reduction (6% reduction compared with 2017), and improvement of 5 percentage points over the previous year to a 29% reduction.

The challenge is to reduce water consumption during the use stage. We are working to further expand our water-saving products.



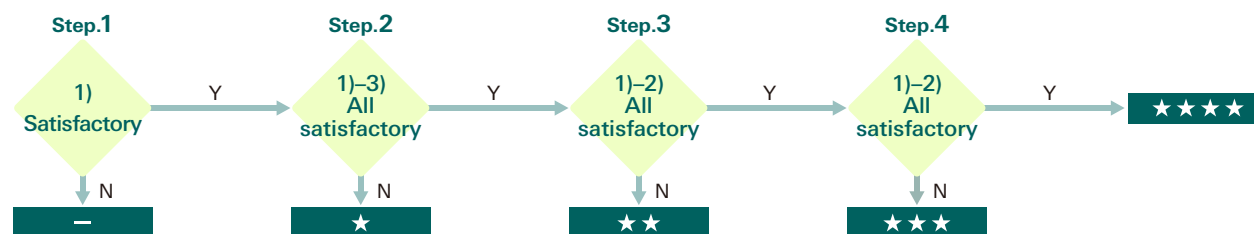
Our initiatives

Efforts in raw materials procurement

We began participating in the CDP Supply Chain Program in 2015 and we encourage suppliers in high water risk sectors to work on improving their water management standards. More specifically, we ask suppliers to fill out the CDP questionnaire survey. We use our unique methods to evaluate suppliers' water management status, and we provide feedback on the evaluation results.

The 2019 survey results showed that the number of suppliers obtaining an evaluation of at least "three stars" had increased by eight compared to the previous year, indicating that the overall supplier activity level had risen. At the same time, in regard to the roughly 30% of suppliers who failed to respond to the survey, we are working on engagement to encourage these suppliers to respond.

Determination flowchart



Step	Conforming	Implementing	Evaluation targets
1	●	●	1) Replies to some questions
2	●	●	1) Identifies facilities with water risk
		●	2) Monitors amount of water withdrawal, water discharge and water consumption
		●	3) Monitors changes in volumes
3	●	●	1) Leadership / organizational readiness
		●	2) Periodic monitoring reports with respect to risk etc.
4	●	●	1) Identifies whether negative impacts on water exist
		●	2) Clarifies impact content and countermeasures

Efforts in development, manufacturing and sales

We use water as a product ingredient as well as to clean and cool equipment at our plants. We set targets to reduce water consumption at each plant and are working to reduce consumption and increase recycling based on the 3Rs (reduce, reuse and recycling).

Reduce

Multiple plants including Kao Chemicals GmbH in Germany conduct efforts to increase the number of times that water is reused for boilers and for cooling to reduce their water consumption.

Reuse

Rainwater is collected and used to water green spaces at the Sumida Office, Kao Chemical Corporation Shanghai and Fatty Chemical (Malaysia).

Recycle

Active recycling efforts, such as recovering steam and treating and reusing water that has been used in production processes, are being carried out at many plants.



Examples of 3R activities

Company name	Description of activity
Kao Chemical Corporation Shanghai	Reduces its water consumption for the manufacturing of some products by reusing water from reaction processes of other products.
Kao Vietnam	Introduced a spray technique for washing and sanitizing tanks, resulting in reducing its use of water and steam.
Kao Industrial (Thailand)	Returns cooling water overflow to a cooling water pool to help eliminate unnecessary water consumption.
Quimi-kao S.A. de C.V. (Mexico)	Concluded an agreement with the local community to receive treated water from the community's wastewater treatment plant. Reverse osmosis is employed to use sewerage effectively, and Quimi-kao further purifies the treated water it has purchased and releases water left over from production into a river through the community's facility, thus contributing to local water recycling.

Efforts during use

As water consumption in the product use stage accounts for around 90% of water consumption across the entire lifecycle, we are providing water-saving products and implementing consumer communication in regard to how to use these products properly. In 2009, we launched *Attack Neo* laundry detergent, which requires only one rinse cycle, in Japan. 2019 saw the launch of *Attack ZERO*, which combines superb washing power and odor removal capability with zero detergent residues. Laundry detergents that require only one rinse cycle are now offered in Japan and Taiwan. We aim to make one rinse cycle the norm for clothes washing.

Through our Essential Research focused on foam, we have also succeeded in reducing the amount of water used when rinsing with other product categories too. In 2010 we launched *Merit Shampoo*, which uses 20% less water for rinsing than conventional products, followed in 2014 by *CuCute* dishwashing detergent, which also reduces the amount of water needed for rinsing by 20%, and in 2015 by *Bath Magiclean* bathroom cleaning liquid, which uses 10% less water for rinsing. We plan to continue rolling out new water-saving products based on our Essential Research.

We also communicate ways to save water to consumers using a variety of approaches. For example, we have developed eco shampoo techniques to use less water when shampooing hair, and we communicate these to consumers. Communicating ways to conserve water while

offering water-saving products truly embodies “eco together,” the slogan of the Kao Environmental Statement.



Eco shampoo techniques to use less water when shampooing hair.



Implementing education and activities based on “eco together”

Employees

- In regard to employee education based on Responsible Care activities, we implement relevant education for all employees.
- We implement relevant education for all employees working at applicable worksites at plants and research institutes that have secured ISO 14001 certification.
- We hold guided tours of the Kao Eco-Lab Museum for our employees.

Business partners

- We hold the Kao Vendor Summit, which important suppliers are invited to attend, where we hold presentations on our ESG-related initiatives, including water conservation, and ask suppliers to complete the CDP questionnaire survey.

Customers

- At the EcoPro 2019 exhibition, we presented displays relating to water conservation, and also gave a presentation.
- We implement visiting classes at elementary schools, to teach the children about water conservation.

Society

Participation in China’s Nationwide Cleanliness and Water-saving Initiatives

The Chinese government’s efforts to raise awareness of the importance of water conservation align with Kao’s approach to implementing “eco together” activities with customers, for example, in relation to sales of water-saving laundry detergent. Since 2012, we have been collaborating with the Chinese government on China’s Nationwide Cleanliness and Water-saving Initiatives, a water conservation campaign, which had been held for eight consecutive years as of 2019. We expanded the areas of activity and conducted awareness-raising for water conservation at 64 universities in China’s northwestern region in this year’s campaign.



Opening ceremony held in Xian, China.

Air & water pollution prevention 102-12, 102-15, 103-1



Protect human health and the natural environment by preventing pollution of water and air through the manufacture or use of our products.

Kao's creating value to address social issues

Social issues we are aware of

It goes without saying that air pollution, water pollution and soil pollution can have a significant negative impact on human health, on agricultural crops and other plants, and on ecosystems.

Atmospheric pollutants such as nitrogen oxides (NOx), sulfur oxides (SOx), particulate matter (PM) and volatile organic compounds (VOCs) are known to increase the prevalence of pulmonary diseases such as asthma. Most atmospheric pollutants derive from burning of fossil fuels or usage of organic solvents. Worldwide, around 8.8 million people die prematurely each year because of atmospheric pollution. In Europe alone, the figure is believed to be over 790,000 (according to a study by the University of Mainz in Germany). At the same time, in recent years there has been a trend for indoor spaces to be made as airtight as possible in an effort to make homes more energy-efficient. As a result, chemical substances in indoor spaces remain in those spaces for long periods, and their concentration levels rise. A report (by Yokohama National University in Japan) suggests that this can have a negative impact on human health.

The vast majority of living organisms, including human beings, cannot live without water. Humans also need access to sanitary water in order to maintain kirei lifestyles. The main cause of water pollution is various substances contained in wastewater from factories and household sewage.

Negative impacts on human health resulting from soil pollution include the effects of both direct contacts with polluted soil by touching it or eating it and indirect contacts by using groundwater that has been polluted with harmful substances that have leached out from polluted soil. Significant characteristics of soil pollution include the fact that, once soil pollution starts to occur, harmful substances can accumulate in the soil over a long period, and the fact that people are less likely to be aware of soil pollution than they are of air pollution and water pollution.

Kao's creating value

We are working to prevent air pollution and water pollution in the areas near Kao production plants by reducing emissions of atmospheric pollutants such as NOx, SOx and VOCs from our plants and reducing organic matter and other substances in wastewater discharged from our plants, by complying faithfully with the relevant laws and regulations in each country and region in which we operate, and by setting reference values that are even more rigorous than those required by law to strictly manage pollutants.

We also take great care to safeguard the health of the people working at our plants throughout the world. For example, we control VOCs in the spaces where our printing operations are performed through the use of *LUNAJET*, a water-based pigment inkjet ink which does not require the use of organic solvents. Through measures such as the development of Bio IOS, a revolutionary new type of surfactant that reduces the amount of surfactant used, we are contributing toward prevention of water pollution through our products.

Furthermore, we perform regular surveys of soil conditions at each of our production plants to confirm that groundwater used in the local community has not been polluted.

Contributions to the SDGs





Policies

We utilize a wide range of chemical substances in our products, from home-use products to industrial products, and we continue to implement activities to minimize negative impacts of chemical substances at every stage from development to post-use disposal.

In our Basic Principle and Basic Policies on Environment and Safety, we undertake to “assess environment and safety aspects throughout the entire lifecycle of the products, from manufacture through disposal, when developing products and technologies” and to “offer products with a lower environmental burden.”

Furthermore, the Kao Responsible Care Policy contains the following declarations: “We shall ... strive to develop technologies and bring to market products that reduce our impact on the environment, thereby contributing to the peace of mind of our business customers and consumers.” and “We shall strive to continue to reduce the environmental impact of our business operations by ... disposing of wastewater and waste gas appropriately.”

Our Environmental Statement embodies our commitment to ensuring that “Kao products ... utilize original Kao-developed technologies to minimize the impact they have on the environment, not just in the manufacturing process, but in the daily life of the customers who use them. From materials procurement and manufacturing, to distribution, sales, usage and final disposal, we want to engage in ‘eco together’ with stakeholders and consumers worldwide.”



→ Basic Principle and Basic Policies on Environment and Safety
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf

→ Kao Responsible Care Policy
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf

→ Kao Environmental Statement
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environmental-statement.pdf

Education and promotion

We recognize the importance of giving our employees who handle chemical substances a variety of opportunities to obtain knowledge about the relationship between our business activities and products and air and water pollution, and to actively engage in pollution prevention activities of their own accord. We have created many opportunities for employee education accordingly.

Specifically, we conduct environmental education including on air and water pollution prevention for all employees as part of our Responsible Care activities. We also provide education encompassing the importance of legal compliance pertaining to air and water pollution to all employees working at factories and research institutes that have obtained ISO 14001 or RC 14001 certification.

Collaboration and engagement with stakeholders

Emissions of substances linked to air pollution and water pollution, which are from business activities, are regulated by government agencies. We are working proactively to address this issue through collaboration and consultation with government agencies and industry associations.

Framework

Emissions of pollutants into the air or into bodies of water in relation to our business activities, and the current state of progress in addressing this issue, are managed under our Responsible Care promotion system.



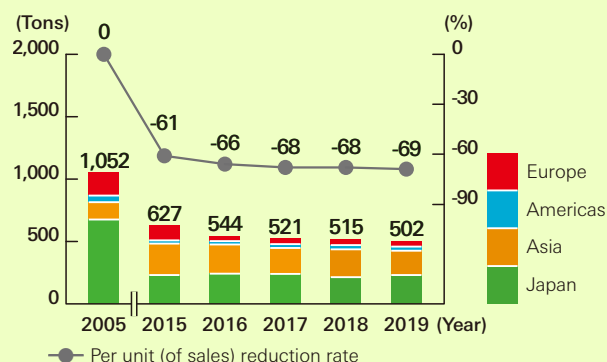
→ Responsible care activities/Framework
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=18

Mid- to long-term targets and performance

Performance in 2019

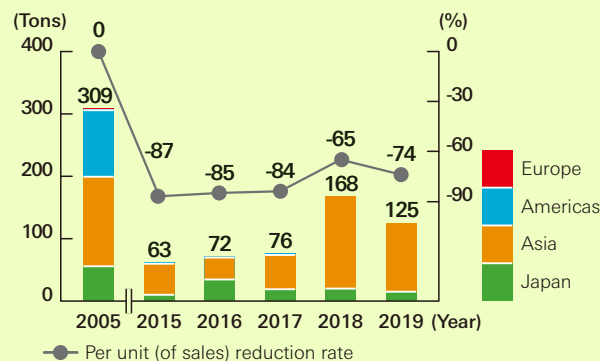
Performance*

NOx emissions (all production sites)



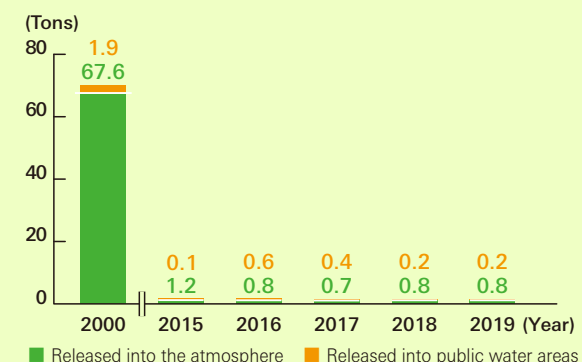
* Boundary: All Kao Group production sites.
* Assurance provided for NOx emission figures.

SOx emissions (all production sites)



* Boundary: All Kao Group production sites.

Total emissions of chemical substances subject to the PRTR system



* Boundary: All Kao Group production sites in Japan.

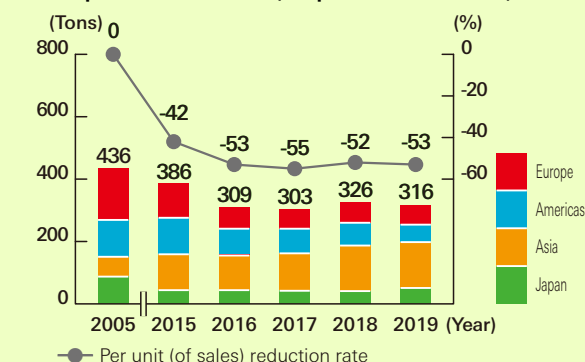
Emissions of volatile organic compounds (VOCs)

Although we have no facilities subject to the VOC emission regulations provided in the Air Pollution Control Act, we work to voluntarily cut VOC emissions.

For the 100 VOC substances defined in the notice issued by the Director General of the Environmental Management Bureau, Ministry of the Environment, we set voluntary targets on the annual atmospheric emissions from each plant for each substance (5 tons or less in 2005, 3 tons or less in 2009, 1 ton or less in 2010), conducted emission reduction activities and accomplished our targets. We are managing VOC emissions with the current target of maintaining our activities.

The group in Japan handled 33 types of VOCs in quantities over 1 ton in 2019, with total emissions into the atmosphere of 8.4 tons.

COD pollution load (all production sites)



* The amount of COD pollution load for wastewater entering sewer systems takes into account the removal rate from sewer systems.
* Assurance provided for COD pollution load.

Compliance with environmental legislation

In 2019, there were no violations of environmental legislation.

Compliance status with environmental laws and regulations

Category	Unit	2017	2018	2019
Number of violations*1	incidents	11	4	0
Of which, number of leaks	incidents	0	1	0
Total fines*2	1,000 yen	699	644	0
Of which, number of leaks	1,000 yen	0	0	0

*1 All incidents detected by authorities during the reporting period.
*2 Fines paid during the reporting period.

* Per unit of sales is calculated based on Japanese standards up to FY2015, and on International Financial Reporting Standards (IFRS) from FY2016.



Our initiatives

Initiatives to prevent air pollution

Efforts at plants

Compliance with laws and regulations

The amounts and densities of pollutants emitted into the atmosphere are regulated by government agencies. We have established our own voluntary management criteria which are even more rigorous than the statutory requirements, and we comply with these to monitor pollutants.

Using cleaner fossil fuels

As burning of fossil fuels is accompanied by emission of NOx, SOx, PM, etc., we use natural gas—which is a clean fossil fuel—at all plants outfitted with the necessary infrastructure. Our plants do not use any coal.

Reducing emissions of chemical substances subject to the Japanese Pollutant Release and Transfer Register (PRTR) system

We began activities in this area by setting a voluntary target for annual emissions of one ton or less for each substance from each plant in FY2000. We achieved this target in FY2002. Since then, we have continued to achieve this voluntary target, excluding leaks of chlorofluorocarbon and similar emissions.

The number of chemical substances subject to the Japanese PRTR system of which we handled over 1.0 ton in 2019 was 75, and the total discharge of such substances into the atmosphere and public water areas was 1.0 ton. In addition, we are voluntarily monitoring and controlling releases and transfers (in the same way as would be done

for chemical substances subject to PRTR) of chemical substances that the Japan Chemical Industry Association has specified as being subject to voluntary surveys.

Reducing emissions of VOCs (volatile organic compounds)

Our production plants outside Japan include some plants where they have not been possible to monitor VOC emissions, or where the emissions are relatively high. We are working to monitor and reduce VOC emissions at these plants.

Measures taken in relation to our products

Lunajet water-based pigment inkjet ink

Using the pigment nano-dispersion technology that we had previously developed, we successfully developed *LUNAJET*, the world's first water-based pigment inkjet ink, featuring a VOC-free design* which ensures that only very small quantities of VOCs are emitted during printing operations, thereby helping to prevent air pollution and also making a major contribution toward improving the working environment of printing workers. We also confirmed that this water-based pigment inkjet ink technology can be applied to water-based gravure-printing ink.

* VOC-free design

"VOC-free" is defined as emitting less than 700 ppmC (in carbon conversion terms) of volatile organic compounds (VOC) during the printing process. VOC (volatile organic compound): VOC is a collective term for organic compounds that are volatile and are transformed into gaseous form in the atmosphere. In Japan, VOC emissions are regulated by the revised Air Pollution Control Act.

Measures to prevent water pollution

Measures taken in relation to product development

In product development, we incorporate considerations for impacts on the water environments of discharged water after product use. More specifically, we have investigated the biodegradability of raw materials that may be discharged into the environment and their impacts on common aquatic organisms using river water and activated sludge used at wastewater treatment plants. Through this investigation, we are actively promoting the development and use of raw materials with reduced environmental impact. We also plan to use AI and other technologies to investigate chemical substances with high environmental compatibility.

Efforts at plants

Compliance with wastewater related laws and regulations

The amounts and/or densities of pollutants discharged into rivers, the ocean and sewage systems are regulated by government agencies. We have installed and conduct high-level maintenance and management of wastewater treatment facilities at many plants. After properly treating plant wastewater, it is discharged outside the plant. We have established our own voluntary management criteria which are even more rigorous than the statutory requirements, and we comply with these to monitor pollutants.

Surveys of groundwater and soil contamination

In light of our past history of chemical substance use, every year we voluntarily measure the levels of substances regulated by environmental standards in the groundwater within plant premises.

Measures relating to wastewater after product use

We are focusing on understanding the actual situation in relation to wastewater discharge after product use and we are conducting our own field surveys on an ongoing basis, such as environmental monitoring of river water to get an idea of the ecological risks of chemical substances. To respond to globalization, we are conducting monitoring and working with experts to develop mathematical models that predict the concentration of chemical substances in rivers, aiming to conduct business with consideration for the local environment in countries outside Japan.

We are also participating in environmental monitoring undertaken by the Japan Soap and Detergent Association (JSDA). We have conducted environmental monitoring of four major surfactants in urban river systems (7 sites from 4 rivers, 4 measurements per year) for the past 20 years in order to assess environmental risk on aquatic ecosystems. In the surveys conducted so far, the results show that these surfactants have consistently low risks to aquatic organisms.

Measures taken in relation to our products

Visco Top high-performance specialty thickener

When undertaking civil engineering work near water (for example, on riverbanks or on the coast), it is vitally important that measures are taken to protect the water from being contaminated. In the case of bridge pier construction for long bridges or suspension bridges that cross ocean straits, because the piers are actually built in the riverwater or seawater, special underwater concrete that has high viscosity and is resistant to washout is used. Furthermore,

when construction is undertaken near underground watercourses, care must be taken not to contaminate the groundwater. For work in this kind of water-related environment, the use of additives to increase the viscosity of inorganic materials such as grouting materials and concrete can enhance underwater anti-washout performance.

We have developed *Visco Top*, a high-performance specialty thickener that provides un-precedented viscosity for grouting materials and concrete, and makes it possible to undertake construction work without polluting the riverine or ocean environment. *Visco Top* has been also used in the removal of high concentration contaminated water from trenches at the Fukushima Daiichi Nuclear Power Plant.



Without the addition of *Visco Top*



With the addition of *Visco Top*

TRUpath™

Kao Group member company Washing Systems, LLC is now offering the TRUpath™ washing system that can wash most products without using alkali (sodium hydroxide), which is widely used in commercial cleaning but has large environmental impact. TRUpath™ enables washing to be completed within a short time while saving water, and the system's low-temperature washing feature also makes it possible to reduce fuel consumption. In addition, wastewater processing is easier than with alkali detergents.

Topic

Main awards received in 2019

Won the Minister of Economy, Trade and Industry Award in the Green & Sustainable Chemistry Awards for Kao's realization of printing technology that allows printing on soft plastic film using water-based inkjet ink

Kao received the Minister of Economy, Trade and Industry Award in the 18th Green & Sustainable Chemistry (GSC) Awards, which are organized by the Japan Association for Chemical Innovation (JACI), in recognition of our realization of printing technology that allows printing on soft plastic film using water-based inkjet ink. This award constituted recognition of the new value created, from an ESG



perspective, by the LUNAJET VOC-free water-based inkjet ink that Kao has developed, which can be printed on film.

Award ceremony

TRUpath™ won the Green Chemistry Challenge Award (GCCA)

TRUpath™ received the 2019 Green Chemistry Challenge Award, which is awarded jointly by the U.S. Environmental Protection Agency (EPA) and the American Chemical Society (ACS), in recognition of its effectiveness in reducing environmental impact.



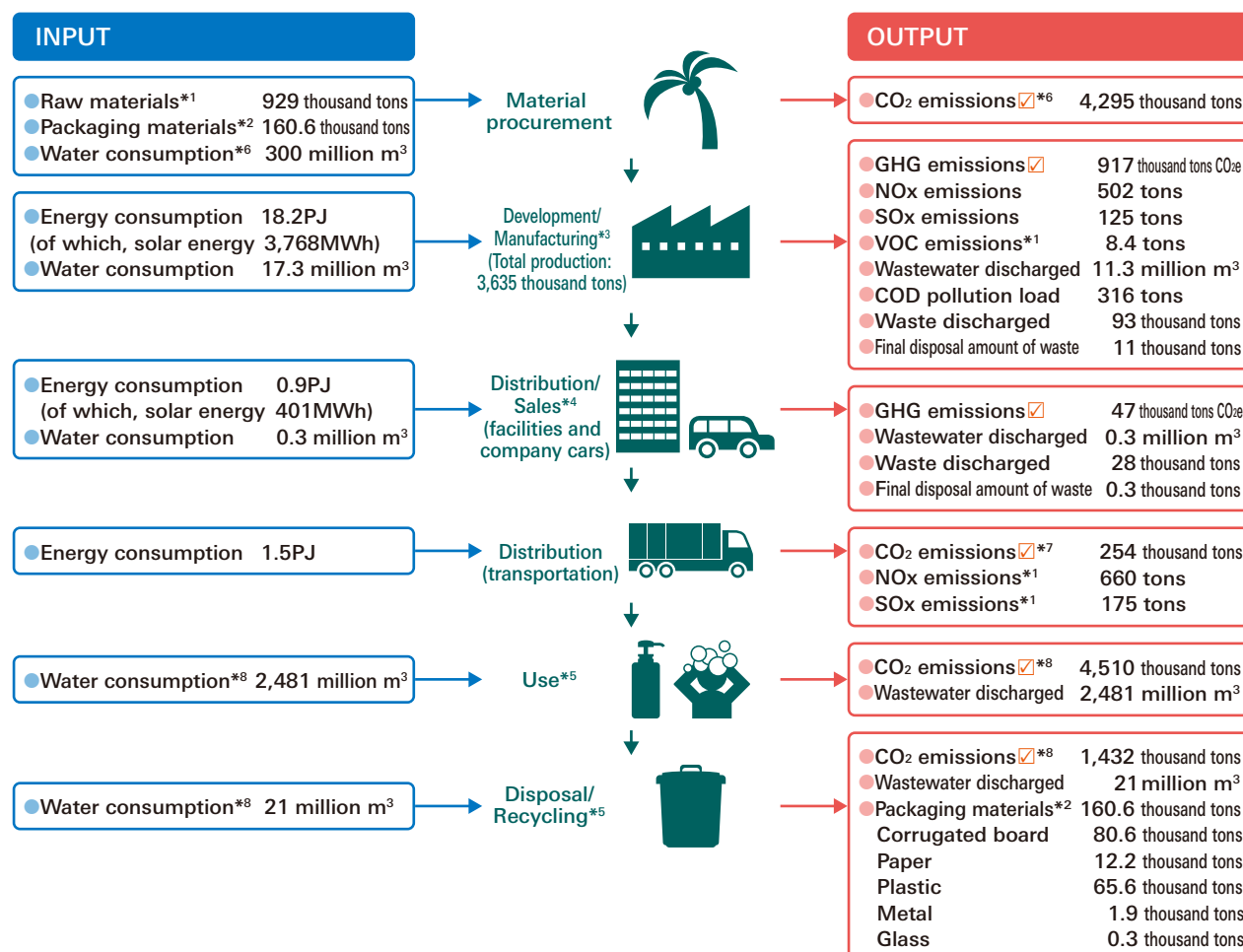
Award ceremony

Product lifecycle and environmental impact

301-1, 302-1, 303-3 (Water and effluents 2018), 303-4 (Water and effluents 2018), 303-5 (Water and effluents 2018), 305-1, 305-2, 305-3, 305-7, 306-2

Kao is pursuing efficient resource utilization across the product lifecycle, as well as technologies to achieve further resource and energy savings.

2019 business operations and environmental impact



INPUT

●Raw materials

The amount of raw materials directly used to manufacture products (excluding packaging materials and fuel).

●Packaging materials

The amount of packaging used for products sold (including corrugated box).

●Energy consumption [product development/manufacturing]

Total amount of energy consumed at manufacturing sites. (Boundary for solar photovoltaic power generation is limited to on-site power generation)

●Energy consumption [distribution/sales (facilities and company cars)]

The amount of energy consumed at non-production sites and by vehicles (used for sales activities). (Boundary for solar photovoltaic power generation is limited to on-site power generation)

●Energy consumption [transportation]

The amount of energy consumed during transportation of consumer products (from plants to distribution bases), industrial products, raw materials, etc.

●Water consumption

Industrial water, municipal water, groundwater, rainwater consumed.

OUTPUT

●GHG emissions

Total amount of greenhouse gas emissions from sites (seven GHGs defined in the Kyoto Protocol) (in CO₂ equivalent, Scope 1+2).

●CO₂ emissions

The amount of CO₂ emitted from manufacturing raw materials, consuming energy and decomposition of ingredients.

●NO_x emissions

Total amount of NO_x emissions from smoke-and-soot-emitting facilities and transportation.

●SO_x emissions

Total amount of SO_x emissions from smoke-and-soot-emitting facilities and transportation.

●VOC emissions

Total amount of VOCs (volatile organic compounds) emitted into the atmosphere from production sites.

●Wastewater discharged

The amount of wastewater discharged at production sites and consumer product use stages.

●COD pollution load

The amount of COD pollution load in wastewater.

●Waste discharged and final disposal amount of waste

Of the waste generated from sites, the amount that is sold or entrusted as waste or recyclable materials to waste treatment companies, and the amount of waste to landfill.

●Packaging materials

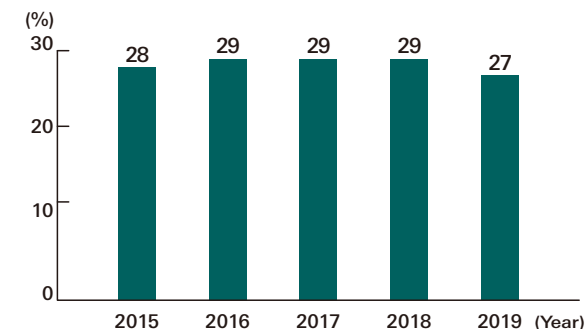
Total amount of packaging materials (including corrugated box) used for products sold.

Expansion of the range of products that display the “eco together” logo

Products with lower environmental impact that have passed our rigorous original certification standards display the “eco together” logo.

In 2019, the sales ratio of products displaying the “eco together” logo (consumer products in Japan) was 27%, lower than the 29% of the previous year. This is attributed to some refill products not displaying the “eco together” logo even though they met the “eco together” standards. Even without displaying the logo, refill products themselves communicate environmental considerations to consumers, and therefore the ratio of eco-conscious products is considered to substantively be at the same level as the previous year.

Percentage of total sales held by products displaying the “eco together” logo (consumer products in Japan)



→ “eco together” logo display standards

→ List of products displaying the “eco together” logo (Japanese)

Environmental accounting

To efficiently and effectively promote its environmental activities, Kao quantifies the costs and results of those activities in numerical terms.

2019 environmental accounting report

- 1 The aggregation methods we use to comply with the Japanese Ministry of the Environment's Environmental Accounting Guidelines 2005. We also reference the Environmental Accounting Guidelines for Chemical Companies (November 2003) issued by the Japan Chemical Industry Association.
- 2 Boundary: the domestic Kao Group*¹ and major overseas subsidiaries*².
- 3 Concerns the period from January 1, 2019 to December 31, 2019.



Please see below for environmental conservation results (numerical results).
→ P130 Making the world healthier & cleaner > Product lifecycle and environmental impact

*1 Kao Corporation, Kao-Quaker Company, Limited., Kao Group Customer Marketing Co., Ltd., Kao Sanitary Products Ehime Co., Ltd., Kanebo Cosmetics Inc., Kanebo Cosmetics Sales Inc., e'quipe, Ltd., Kao Professional Services Co., Ltd., Goldwell Japan Co., Ltd., Molton Brown Japan Ltd., Kao Paper Manufacturing Fuji, Kao Business Associe Co., Ltd., Kao Logistics Co., Ltd., Kao System Logistics Co., Ltd., Kao Field Marketing Co., Ltd., Kao Creative House Corporation, Shohi Seikatsu Kenkyusho Inc., Kao Peony Co., Ltd., Healthcare Committee Inc., and Kao Cosmetic Products Odawara Co., Ltd.

*2 Kao Chemical Corporation Shanghai, Kao (Taiwan) Corporation, Kao Vietnam Co., Ltd., Pilipinas Kao, Incorporated, Kao Industrial (Thailand) Co., Ltd., Kao Soap (Malaysia) Sdn. Bhd., Fatty Chemical (Malaysia) Sdn. Bhd., Kao Plasticizer (Malaysia) Sdn. Bhd., Kao Oleochemical (Malaysia) Sdn. Bhd., PT. Kao Indonesia Chemicals, Kao Specialties Americas LLC, Quimi-Kao, S.A. de C.V., Kao Corporation S.A., Kao (Hefei) Co., Ltd., Kao Chemicals GmbH, PT Kao Indonesia, Kao Manufacturing Germany GmbH, Kao (Shanghai) Chemical Industries Co., Ltd., Kao USA Inc., Molton Brown Limited, Kao Corporation Shanghai, Huludao Jinxing Casting Materials Co., Ltd.

Environmental conservation costs (categories corresponding to business activities)

(Unit: millions of yen)

Categories		Inside Japan		Asia, Americas and Europe	
		Investment	Cost* ¹	Investment	Cost* ¹
(1) Business area costs		1,811	4,140	1,896	3,803
Breakdown	①Pollution prevention	173	1,785	823	1,592
	②Global environmental conservation	710	471	382	750
	③Resource circulation	928	1,884	691	1,461
(2) Upstream/downstream costs		0	2,374	0	85
(3) Administration costs		0	1,877	0	203
(4) R&D costs		2,359	5,446	2	113
(5) Social activity costs		8	110	13	9
(6) Environmental remediation costs		0	0	0	10
Total		4,178	13,947	1,911	4,223

Environmental conservation costs (categories corresponding to areas of environmental conservation measures)

(Unit: millions of yen)

Categories		Inside Japan		Asia, Americas and Europe	
		Investment	Cost* ¹	Investment	Cost* ¹
①Cost related to global warming measures		710	471	322	408
②Cost related to ozone layer protection measures		0	0	60	320
③Cost related to air quality conservation measures		2	455	607	505
④Cost related to noise and vibration measures		0	2	4	51
⑤Cost related to environmental conservation measures for aquatic, ground, and geologic environments		171	1,328	189	1,025
⑥Cost related to waste and recycling measures		928	4,258	691	1,543
⑦Cost related to measures to reduce chemical risks and emissions		2,359	5,446	2	112
⑧Cost related to nature and environmental conservation		8	109	36	79
⑨Other costs		0	1,878	0	180
Total		4,178	13,947	1,911	4,223

Economic effect associated with environmental conservation activities*²

(Unit: millions of yen)

Details of benefits		Inside Japan	Asia, Americas and Europe
		Amount	Amount
Revenue	Sales value of valuable resources and fixed assets	420	211
	Reduction in costs through energy conservation	223	157
	Reduction in costs through resource conservation	1,135	1,442
	Reduction in operation costs (maintenance costs, etc. of eco-conscious equipment)	192	562
Total		1,970	2,372

*1 Cost includes depreciation costs.

*2 For economic effect, only amounts from selling valuable resources and fixed assets and the amount of cost reductions are recorded. Economic effects based on assumption such as risk mitigation, so-called "deemed effects" are not recorded.

*3 The amounts of cost reductions contains only the relevant fiscal year of the annual cost reduction for items generated during that year. Cost reduction amounts generated over multiple years are not included.

2019 Our initiatives

Walking the right path

Effective corporate governance	134
Full transparency	144
Respecting human rights	146
Human capital development	151
Inclusive & diverse workplaces	162
Employee wellbeing & safety	175
Responsible chemicals management	192



Effective corporate governance 102-12, 102-15, 102-16, 103-1, 103-2

We will steadily implement our ESG Strategy through examining our corporate governance system whenever necessary, and conducting fair and honest business activities while acting in accordance with laws and ethics and responding to changes in society. All of this will contribute to creating a global presence for Kao.



Please see the following for corporate governance activities related to our management structure.

- ➔ Kao Sustainability Data Book 2020 Corporate Governance
- ➔ Integrated Report 2020 Corporate Governance Initiatives
- ➔ Corporate Governance Report

Kao's creating value to address social issues

Social issues we are aware of

There have been many reports of data falsification and other improprieties in the manufacturing industry in recent years, leading to distrust of the manufacturing industry as a whole. As a consequence, *Yoki-Monozukuri* that complies with laws and ethics is becoming increasingly necessary to maintain and improve our competitiveness. In addition, in many cases the improprieties went on for years without being viewed as problematic. We see creation of an open workplace atmosphere, in which discovered improprieties are immediately reported to management and an appropriate response is taken, as a key issue.

There are also a growing number of cases of power harassment, due in part to an increasingly diverse workforce and managers with outdated values, as well as sexual harassment, marked by a lack of consideration for the other party. We believe that to prevent these instances and achieve social progress, it is important to create efficient and highly productive workplaces that allow all people to work on an equal standing. Legislation on preventing power harassment is also being enacted in Japan in 2020, and we will continue our activities to thoroughly prevent harassment.

Kao's creating value

We see our mission as contributing to society through

Yoki-Monozukuri, based on contributing to the SDGs in our business activities with our value of Integrity (to behave lawfully and ethically and conduct fair and honest business activities) handed down from our founder. We will continue to implement *Yoki-Monozukuri* that complies with laws and ethical principles.

We are also creating workplaces with an open atmosphere that allow talented human capital to fully demonstrate their abilities on an equal standing.

Risks related to realization of our vision by 2030

As competition intensifies globally, there is concern of growing temptation to commit impropriety, including factors such as difficulty in achieving product differentiation, meeting product launch schedules and delivery timelines, and increasing profit. The risk of harassment from the generational gap in values and growing employee diversity is also increasing.

Opportunities related to realization of our vision by 2030

As a result of conducting our business with Integrity as one of our most important values, we are highly regarded by society in terms of sustainability and compliance. This leads to increasing trust on the part of consumers, shareholders and other stakeholders in our products and our company, and also makes it easier for us to hire and retain talented human capital.

Contributions to the SDGs



Policies

We regard our value of Integrity as the starting point of compliance, and promote it as a foundation for earning the respect and trust of all stakeholders.

To ensure greater efficacy of the Kao Business Conduct Guidelines (BCG) that embody Integrity, we are implementing activities focused on reducing serious compliance risks, and activities designed to create an open workplace atmosphere that allows discovered improprieties to be immediately reported to management and an appropriate response promptly be taken.

Anti-bribery and anti-corruption are clearly defined in the BCG as well, and we have also established the Kao Anti-bribery (anti-corruption) Guidelines, which specify the standards and prior reporting obligations for giving and receiving of entertainment and gifts as well as rules for preventing corruption, including evaluating bribery risks when selecting vendors and renewing vendor contracts.

Education and promotion

Our compliance training system is as follows.

Compliance training system

Region	Theme	Target group	Objective	Frequency
Globally common	New Employee Orientation	New employees	Study our compliance approach and the BCG	On joining
	Manager training	Japan: New managers Outside Japan: Managers	Group work to build managers' awareness for compliance risk reduction	Japan: At time of promotion to manager Outside Japan: Every 3 years
	Trainings by division leaders	Managers/ Non-Manager employees	Division leaders directly communicate the message to employees to make compliance relevant to them personally	Once every 2 years (alternate each year between Japan/outside Japan)
	BCG refresher test + compliance awareness survey	Executives/ Managers/Non-Manager employees	Revisit the BCG and identify divisions with high compliance risks	Once every 2 years (alternate each year between Japan/outside Japan)
	Compliance Awareness Month	Managers/Non-Manager employees	Periodically revisit and review the importance of compliance	Once a year (in October)
	BCG Casebook	Managers/Non-Manager employees	Study the BCG using specific cases	Revise after revisions to the BCG
Japan	Compliance case studies	All employees	Study compliance points to keep in mind through cases at Kao and other companies	Japan: Every month Outside Japan: Twice a year (April, October)
	SCM Division ①Basic course ②Leading staff level summary training	①Employees in their third year ②Leaders	①Study compliance and BCG content that should be given particular attention in SCM ②Division work using specific cases	①Third year at the company ②At time of promotion
Outside Japan	Integrity Workshop	New employees	Study the BCG's content using examples related to each topic and in a group discussion format	Once within 3 years from joining the company

Employees take compliance training designed to learn their role when those roles change significantly, including when they join the company, when they are promoted to managerial positions, and when they assume responsibility for subsidiaries outside Japan.

In addition, all employees participate in the training organized by the leader of their division and take a BCG refresher test to periodically give them opportunities to review and maintain their awareness for compliance. One month of the year is also designated as Compliance Awareness Month, and the importance of thoughtful words and actions as well as an open organizational culture is communicated among other topics. Education related to laws and ordinances is planned and conducted by designated managing divisions.

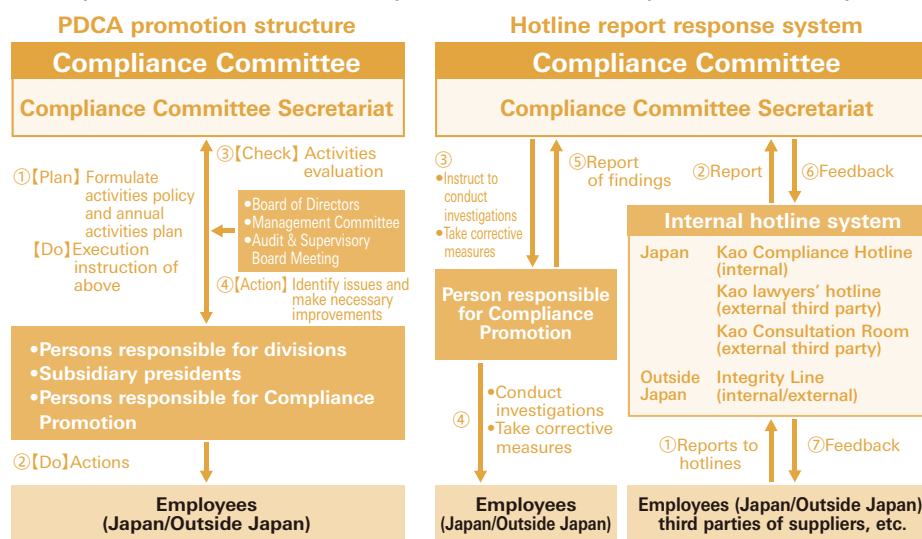
Collaboration and engagement with stakeholders

The BCG clearly states gaining understanding and support for the BCG among vendors as well and encouraging conduct based on this, and promotes human rights and other fields in order of priority.

Framework

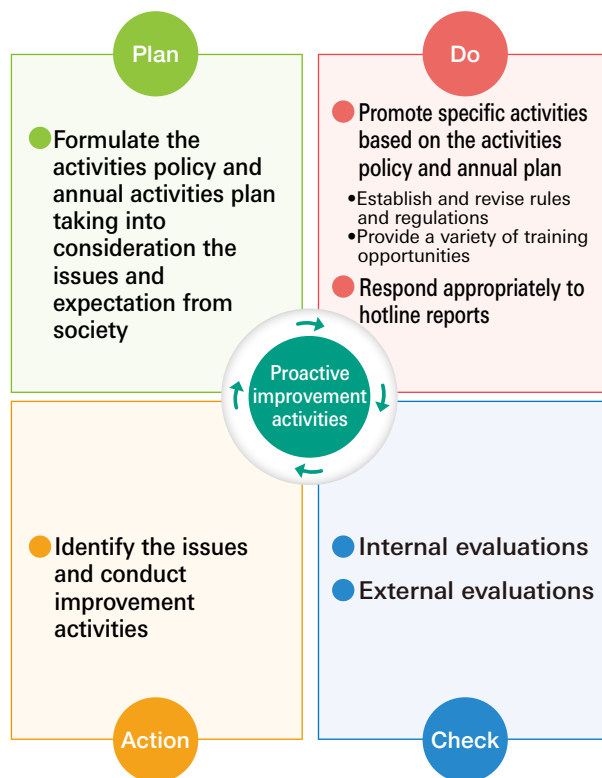
We have set up the following framework to implement the PDCA cycle for compliance, and to respond appropriately to reported incidents. The PDCA cycle framework consists of policies, an annual plan and specific activities to implement these devised by the Compliance Committee, comprising division leaders and other members, and its secretariat, with directives for implementation given to persons responsible for divisions and subsidiaries. The activities are evaluated by the Board of Directors among others, and the evaluations are used to inform improvement activities. The framework for responding to reported incidents involves a shared group hotline, the Compliance Committee, which receives hotline reports, investigation by the Compliance Committee or the person responsible for compliance promotion at subsidiaries, and the necessary corrective measures taken to resolve matters.

PDCA promotion structure and Response Process for Compliance Hotline Reports



PDCA cycle to continuously improve compliance

Compliance promotion activities are implemented using the PDCA cycle shown below. The Compliance Committee creates the policy and annual plan, and the Compliance Committee Secretariat breaks it down into specific activities that are then implemented. The implemented activities are evaluated, and identified issues and improvements are reported to inform the planning to be drafted from the following year onward.



Plan/Do

We have established the Compliance Committee, chaired by the Representative Director and Senior Managing Executive Officer, and comprised of representatives of relevant divisions and affiliated companies.

This committee meets every six months to review the following activities and devise promotional measures to mitigate serious compliance risks and ensure Integrity.

1. Decide the activities policy to ensure Integrity.
2. Finalize the establishment and revision of the Kao Business Conduct Guidelines (BCG) and other internal compliance-related rules and regulations.
3. Decide the annual plan for educational and awareness-raising activities to instill and establish Integrity within and outside Japan.
4. Confirm the operation and response status of compliance hotlines. We also propose necessary amendments to compliance-related rules and regulations and make annual activities report to the Board of Directors.

The Compliance Committee has a secretariat led by the Compliance Department. At the secretariat meeting held each month, members of the secretariat confirm and review the appropriateness of responses to all reports made to compliance hotlines both inside and outside Japan. They also draft and implement plans for specific activities and promote activities in accordance with decisions by the Compliance Committee.

Check

Internal evaluation

● Opinions from the Board of Directors

Summary reports are made quarterly to the Management Committee on compliance incidents including incidents reported to the compliance hotlines, in addition to which the Management Committee summary reports and annual activities reports are also made to the Board of Directors.

The Board of Directors monitors and evaluates these activities, and its evaluation and opinions are used to improve the activities through the PDCA cycle.

● Issues identified from compliance hotlines

Reported incidents are regularly analyzed, and steps are taken based on identified trends, such as making necessary changes to the framework, conducting in-house education and promoting awareness.

● Issues identified from risk surveys

We conduct a risk survey that includes compliance risks every year, and identify risk areas and specific risk scenarios based on the results, after which we take the necessary steps while coordinating with the relevant divisions.

● Audits by the Department of Internal Audit

The Audit and Supervisory Board Members and the Department of Internal Audit regularly conduct operations audits for all group companies and divisions, which also include compliance-related audit items such as verifying conduct based on compliance-related internal guidelines.

● Activities that involve listening to employees' opinions

The Compliance Committee secretariat creates opportunities for dialogue with employees of the group companies inside and outside Japan when visiting them to conduct trainings and on other occasions. Comments concerning current compliance activities are received, along with requests and proposals for new activities.

● Employee awareness survey

The group monitors the extent of compliance awareness among employees through the company-wide employee survey *Find*, which is conducted every other year.

A survey is also conducted every other year on such things as the open atmosphere of various organizations by the Compliance Committee.

External evaluations

● Feedback from third-party organizations, external evaluation organizations, etc.

By answering socially responsible investing (SRI) questionnaire items that incorporate societal expectations and exchanging information with other companies, we incorporate items where we have not yet taken action into the next year's activities as necessary.

Mid- to long-term targets and performance

Mid- to long-term targets

1. Contribute to *Yoki-Monozukuri* through a commitment to Integrity and prevent incidents of damage.
2. Minimize damage by creating workplaces with an open atmosphere that allows improprieties to be reported at an early stage and the appropriate response to be taken.
3. Maximize utilization of human capital by ensuring that people's language and conduct are considerate of the other person's position and by creating workplaces in which all people are able to work on an equal standing.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

- Avoid incidents of loss due to improprieties and reduced trust in Kao products.
- Minimize damage by avoiding expanding or prolonging impacts by discovering improprieties at an early stage and taking an appropriate response.
- Realize high-quality outcomes more efficiently and retain, hire and fully utilize talented human capital by creating work-friendly workplaces for employees.

Social impacts

- By preventing improprieties and realizing higher quality outcomes, provide products and services through improved *Yoki-Monozukuri* including a focus on the environment.
- Maintain and improve the trust placed in us by stakeholders starting with shareholders and society.

2030 long-term targets

- Establish and maintain our legal compliance structure inside and outside Japan to ensure consistent *Yoki-Monozukuri*.
- Conduct activities focused on high-risk areas to efficiently prevent serious compliance violations.
- Clarify the reporting rules and make them well-known and followed to promote early reporting and appropriate handling of improprieties.
- Establish our policy related to harassment prevention and other necessary internal regulations, and make them well-known and followed, to realize workplaces where people find it easy to work.

Performance in 2019

1. Compliance risk reduction activities

Legal compliance structural reorganization

We have clarified the managing division for promoting compliance with 248 laws and ordinances that apply to our worksites in Japan. For 44 laws and ordinances of particular importance, in 2019 we prioritized confirmation of whether the implementation status of the managing division's legal compliance plan was appropriately monitored. We have also begun building our compliance structure in countries and regions in Asia, Europe and the Americas.

Reduction of risk not covered by legal compliance activities

In our 2018 risk survey, we identified social media risks and data falsification as serious compliance risks not covered by legal compliance activities. In 2019, we continued compliance activities led by the divisions in charge and activities to enhance employee compliance literacy.



→ p. 140 Our initiatives: Activities to reduce compliance risks

2. Activities to foster and establish compliance awareness

Amending the Kao Business Conduct Guidelines (BCG)

We revised the BCG in April 2019 to address expectations from society and make it easier for employees to understand. To have the revised BCG become well-known and followed group-wide, we translated it into the necessary languages and then had each group company inside and outside Japan approve

it, followed by briefings to employees on the revised content.



→ p. 140 Our initiatives: Revising the Kao Business Conduct Guidelines (BCG)

Compliance education activities

- Held briefings on the revised BCG (approx. 36,000 people inside and outside Japan).
- Held discussions on compliance risks at new manager trainings in Japan (approx. 390 people).
- Conducted a BCG refresher test and awareness survey in Japan (approx. 24,350 people).
- Held compliance trainings linked to trainings on the Kao Way, our corporate philosophy, in the United States, Vietnam and Malaysia (total of approx. 150 people).
- Established October as Compliance Awareness Month as in past years, displayed Compliance Awareness Month posters and communicated other information.
- Globally conducted the compliance trainings in 2019 led by the President and executive officers that were held in Japan in 2018. Took steps to communicate to individual employees the necessity of fostering an open atmosphere in organizations and reporting incidents at an early stage (approx. 11,000 people).



→ p. 141 Our initiatives: Compliance education/ Compliance Awareness Month

3. Compliance promotion system development

With the following measures, we have put in place a system designed to reduce risk by detecting compliance-related problems at an early stage and appropriately resolving them.

- Serious compliance incidents are regularly reported to the Compliance Committee, the Management Committee, the Audit & Supervisory Board Members, the Board of Directors and other groups, and the appropriateness of the response evaluated.
- In addition to the overseas hotlines, an anonymous hotline was set up and put into operation in Japan in May 2019.
- We have established Rules for Operating Compliance Hotlines to heighten trust in the compliance hotlines and so that people feel reassured when making reports or seeking consultation. We will work to make the reporting regulations well-known.



→ p. 142 Our initiatives: Compliance hotlines

4. Evaluation activities

- In Japan, we conduct a compliance awareness survey to measure how established compliance activities are and the atmosphere at workplaces.
- We identify issues and conduct improvement activities through information exchanges with other companies and responses to external evaluation survey.



→ p. 143 Our initiatives: Evaluation activities

5. External evaluations

In 2019, Kao was again recognized as one of the World's Most Ethical Companies®.



→ p. 143 Our initiatives: Fourteen consecutive years on one of the World's Most Ethical Companies® 2020 list

Current issues

1. Reinforcement of monitoring of our legal compliance status.
2. Increase in harassment incidents.
3. Ensuring early reporting of compliance incidents.

Future actions

1. Ensuring compliance with important laws and reorganization of the overseas legal compliance structure.
2. Enhancing prevention of serious compliance incidents by taking action for legislation enacted to prevent power harassment and so on.
3. Making hotline regulations and reporting rules when a compliance incident arises well-known and followed.

Our initiatives

Activities to reduce compliance risks

To reduce serious compliance risks, we continued upgrading our legal compliance structure in 2019 following steps taken in 2018, and took appropriate actions for serious compliance risks not covered by our legal compliance activities.

Reinforcement of our legal compliance structure (Enhanced monitoring of promotion activities)

In 2018, we reorganized our legal compliance structure to place responsibility for legal compliance with executive officers in charge of divisions. Specifically, we decided the divisions in charge for promoting legal compliance with the 248 laws and ordinances that apply to worksites in Japan. For 44 laws and ordinances of particular importance among the 248, we drafted an annual compliance promotion plan, required a report on its implementation and monitored compliance promotion activities.

To ensure the function of the legal compliance structure in Japan, in 2019 we confirmed whether the activities by divisions in charge targeting the important laws and ordinances were appropriately monitored by other divisions and organizations. In addition, for compliance with overseas laws and ordinances, we exchanged opinions with local persons responsible for legal affairs on how to build systems to gauge activities in countries and regions.

Reduction of risk not covered by legal compliance activities

From the results of an internal risk survey conducted in 2018, we identified social media risks and data falsification as serious compliance risks not covered by our legal compliance activities.

In 2019, we took steps to enhance social media literacy and to build appropriate advertising understanding from the viewpoint of respect for human rights.

For data falsification, we envisioned specific scenarios where data falsification could occur and drafted and implemented effective prevention measures.

Revising the Kao Business Conduct Guidelines (BCG)

The Kao Business Conduct Guidelines (BCG) serve as our code of conduct for practicing the Kao Way, our corporate philosophy. The content is regularly revised based on expectations from society, our circumstances and other factors, and was revised in April 2019.

The major objectives of the revision were to clarify our commitment to contributing to the realization of the SDGs, improve the effectiveness of our internal reporting system, streamline redundant language and reorganize sections to make them easier to understand (consolidating 11 sections into 9).

The revised content was approved by the Board of Directors or the Management Committee of subsidiaries for which the BCG apply, and briefing sessions to communicate the revised content were held. In addition, joint ventures not controlled by Kao were informed of the revisions. A briefing was also held at the annual vendor summit for raw materials suppliers to communicate the BCG's content as well as the necessity of reporting problems that arise at an early stage and the importance of the compliance hotlines.

Deployment of the BCG Casebook and other compliance-related rules

The Kao Business Conduct Guidelines Casebook, which covers possible scenarios relating to the BCG in a Q&A format, has been compiled in Japanese, English and 17 other languages.

In addition, the BCG explicitly defines anti-corruption compliance regardless of the identity of the other party and bans facilitation payments, which are payments of small amounts made to individual government officials. Making political donations is also prohibited in the BCG and in the Donation Guidelines. Moreover, the Kao Anti-bribery (anti-corruption) Guidelines, which describe the approval procedures and rules for giving and receiving of entertainment and gifts and notification procedures relating to invitations to government officials, have been adopted, including at the group companies outside Japan.

In addition to the above, the Kao Guidelines for Avoiding Conflicts of Interest have also been adopted at the group companies both inside and outside Japan, and require approval or notification in situations of individuals having involvement in competition or transactions with group companies, investments in companies that engage in such competition or transactions, financial loans and so on with group companies, and close relatives engaging in such acts.

Annual confirmation

Once a year, we confirm the submission of reports to the Compliance Committee secretariat regarding

matters pertinent to the Guidelines for Avoiding Conflicts of Interest and the Anti-bribery (anti-corruption) Guidelines with respect to members of the Board of Directors, the Audit and Supervisory Board members, officers and employees.

In addition, we investigate the function of the Anti-bribery (anti-corruption) Checklist used when selecting new cross-border distributors and new intermediaries or renewing contracts with existing ones.

Compliance education

To deepen employees' understanding of the BCG and other compliance-related rules and regulations, we hold classroom-based training for new employees, newly appointed managers, and group company employees (including managers) outside Japan. In addition, a BCG refresher test is given every other year to check knowledge of BCG content.

In 2019, we conducted regional educational programs using group discussions to bring up cases of compliance violations that could potentially arise at participants' worksites, the causes of such violations and countermeasures to make the compliance content personally relevant to participants.

New manager trainings

New manager trainings in Japan included the above group discussion type program.

Many participants offered feedback such as, "Through the discussions, I was able to think deeply about the compliance risks that could occur in our workplaces and how to prevent them, and I want to put these ideas into practice back in my workplace." (No. of participants: approx. 390)

Compliance trainings linked with the Kao Way

We also held the group discussion type training linked with training on the Kao Way, our corporate philosophy, in the United States, Vietnam and Malaysia. (No. of participants: total of approx. 150)

Compliance trainings led by regional leaders and company presidents (global)

We held compliance trainings in global regions and countries with regional leaders and company presidents serving as instructors for the purpose of having participants internalize Integrity and creating an open workplace atmosphere that allows improprieties to be reported at an early stage and appropriately dealt with.

They gave lectures on the importance of the first report when a compliance violation occurs, how to ensure your words and actions show consideration for the other party, and achieving an open atmosphere in workplaces by setting an example.

Having regional leaders and company presidents talk about these topics in their own words made compliance more immediate and accessible for employees. (No. of participants: approx. 11,000)

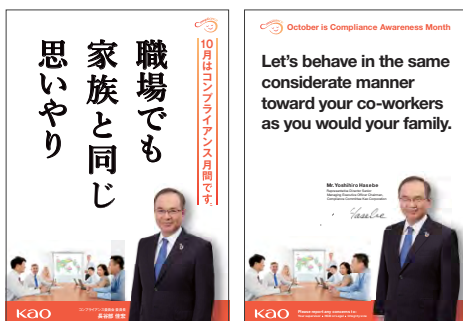
Compliance Awareness Month

At Kao, we have designated October as Compliance Awareness Month, with the aim of encouraging employees to view compliance as something that is directly relevant to them, and hold various activities to instill compliance awareness inside and outside Japan.

In 2019, the message from the Compliance

Committee chairperson was “Let’s behave in the same considerate manner toward your co-workers as you would your family,” and we conducted activities to realize an enthusiastic workplace atmosphere by building awareness for workplace communication that gives consideration to others’ feelings.

The message from the Compliance Committee chairperson was disseminated via the company intranet and displayed on posters as in past years. Posters with compliance messages were also created by regional leaders and company presidents globally and communicated along with case studies.



The Compliance Awareness Month poster displayed at worksites in countries and regions

Compliance Hotlines

According to the needs of each country and region, group companies have established either both internal and external compliance hotlines or only external hotlines.

In operating the hotlines, after confirming the caller’s wishes, companies take steps to respect the individual’s privacy and strive to the maximum extent possible to ensure that callers suffer no retaliation or disadvantage as a result of their good-faith consultation. In principle, companies also receive the

caller’s consent when an investigation of related parties is conducted. Anonymous inquiries are accepted, but callers are encouraged to identify themselves to facilitate proper investigation.

In 2019, there were 409 reports made to the hotlines (including group companies outside Japan), which also encompassed reports from management lines. Of these reports, excluding ongoing cases and reports handled by the management lines and external hotlines, about 60% were minor in nature and ultimately resolved or closed through responses from the secretariat or in face-to-face meetings with the caller. The remaining 40% were handled with measures such as warnings to the person in question based on investigations of the matters, including face-to-face meetings with multiple relevant persons. Further breakdown of the reports received reveals that items related to harassment, including sexual and power harassment, abuse of authority and bullying, represented roughly 30% of the total, while items including those related to miscommunication at workplaces, working conditions and employment, represented around 40%. Together, these two categories comprised approximately 70% of reports. No particular trends were observed in the organizations, worksites or occupations to which callers belonged.

Response framework in Japan

In Japan, we have established internal compliance hotlines operated by the Compliance Committee secretariat and external hotlines operated by outside lawyers and clinical psychologists. Internal hotlines and external hotlines operated by lawyers accept reports and consultations not only from our employees but also from related parties including

business partners. Since May 2019, employees can not only make reports anonymously, but we also began operating a hotline where it is possible to leave feedback. As a result, we are receiving a rising number of calls to the hotlines.

Response framework outside Japan

We set up the Integrity Line, operated by an outside service provider, at the group companies outside Japan. The Integrity Line is able to receive calls 24 hours a day, 365 days a year in the home country language. Most group companies have established internal compliance hotlines in which the company’s HR manager or other representative handles inquiries.

In 2019, we publicized the hotlines at group company compliance seminars and during Compliance Awareness Month.

Response to compliance violations, and legal violations in 2019

Under “Walking the right path” in the Kirei Lifestyle Plan announced in April 2019, we set the indicator of zero serious compliance violations.

These serious compliance violations refer to compliance violations that significantly impact management and result in significant loss to our corporate value. They are decided based on the malicious nature of the violation (importance/seriousness of the legal infraction, intent, continuity, organizational nature), the internal and external impacts of the violation, and deliberation by the Compliance Committee and the Management

Committee, and reported to the Board of Directors. There were no such serious compliance violations that apply to the above.

In addition, through our participation in committees, working groups, etc. of trade associations, we convey opinions that could influence enactment and revision of laws to the government. Apart from membership fees to these trade associations, it was verified that no donations were made regarding political campaigns or organizations, lobbying, trade associations, tax-exempt entities or other groups whose role is to influence political campaigns or public policy and legislation in 2019.

There were a total of 23 cases within and outside Japan that resulted in persons leaving their companies (including resignation under instruction). These included cases involving violations of safety management rules, theft and embezzlement, falsified reporting of work hours, harassment and serious traffic violations. To prevent occurrences of these cases, we have made efforts to thoroughly establish our core value of Integrity through internal educational activities. There were a high number of harassment incidents in particular, and we focused our efforts on preventing harassment, as it hinders employees from working with enthusiasm and achieving greater outcomes.

Fourteen consecutive years on one of the World's Most Ethical Companies® 2020 list

In February 2020, Kao was recognized as one of the World's Most Ethical Companies® 2020 by the U.S.-

based think tank Ethisphere Institute. We have been named to the list 14 straight years since the award's inception in 2007. We are the only Japanese company, and the only manufacturer of fast-moving consumer goods and chemicals in the world to be honored for 14 consecutive years.

Selection of companies for the list is based on the evaluation of five factors: 1) Corporate Ethics and Compliance Program; 2) Corporate Citizenship and Responsibility; 3) Culture of Ethics; 4) Corporate Governance; and 5) Leadership, Innovation and Reputation.

This recognition reflects the fact that the spirit of Integrity passed down from our founder continues to be implemented by all Kao Group members in day to day operations through practice of the Kao Way and the Kao Business Conduct Guideline (BCG).



Evaluation activities

In 2019, we conducted a compliance awareness survey in Japan to measure how established compliance activities are and the atmosphere at workplaces. Based on the survey responses, in 2020 we plan to conduct activities designed to improve organizations with issues in their atmosphere and other areas.

In 2019, we exchanged information about compliance activities with six companies and responded to questionnaires on SRI and the like from 13 vendors and institutes. Through these responses, we reviewed our identification of issues and future-oriented response, and will incorporate these into our 2020 activities.

Sharing our insights on compliance with outside groups

Five times between July and September 2019, Executive Officer, Senior Vice President of the Legal and Compliance Division attended sessions to share opinions on principles for preventing corporate scandals. Based on these sessions, Japan Exchange Regulation released a compilation of case studies for preventing misconduct on the website in November of the same year. This compilation introduces specific initiatives to prevent misconduct implemented by the companies participating in the opinion exchange sessions to serve as a useful guide for people involved in similar initiatives. He also participated in a roundtable discussion on "Peacetime Initiatives to Reduce Compliance Risks" sponsored by Japan Institute of Business Law, and the contents were published in "Junkan Shojihome" (organ magazine) number 2218.

In July 2019, he also gave a lecture at Doshisha University on the role of corporate legal affairs and the importance of ethics and compliance activities.

Full transparency 102-12, 102-15, 103-1, 103-2

We believe that communicating accurate information about our products, in ways that are appropriate and easy to understand, is essential to have people make the right choices and lead comfortable lives.

We disclose information in a timely manner through our websites and various opportunities to engage with stakeholders.

Kao's creating value to address social issues

Social issues we are aware of

Living in modern society today as information disclosure advances on a variety of fronts, individuals have greater needs and desires to obtain necessary or important information. The development of the internet of Things (IoT) allows individuals to easily obtain a greater amount of information.

Ethical consumption, where products and services created with environmental and social considerations are chosen and consumed, is showing growth among consumers. Consumers are also seeking information about corporate activities with the desire to purchase not only individual products of high quality, but also products from companies they can trust.

As such, companies are expected to encourage dialogue with consumers and other stakeholders by properly disclosing accurate information.

We place top priority on delivering information about products that consumers are in frequent, direct contact with and conduct activities accordingly.

Kao's creating value

Obtaining accurate information makes it easier for consumers to choose safe and reliable products and services, and be able to lead comfortable lives. In

addition, the individual choices of consumers contribute to the SDGs without them being aware of it, and we believe in the need for the environmental impact of these activities to stay within the range that our natural world can safely absorb.

The result of this helps create a world in which consumers and the wider society are filled with trust, sustainable growth and innovation are generated, new value is offered, and new markets and employment are created.

Contributions to the SDGs



Policies

Regarding transparency, we conduct activities founded in the Kao Way and the Kao Business Conduct Guidelines so that people can easily get the information they need when they need it for the right choices to be made for individuals, society and the Earth, and based on that accurate information, dialogue with stakeholders can become more developed.

Framework

In 2019, we established a task force for disclosing product information in the ESG Promotion Meeting, an organization under the ESG Committee, and it has begun conducting activities. The task force has set up working groups on five themes, and these working groups mutually confirm their progress once a month and report the results in the ESG Promotion Meeting.

Mid- to long-term targets and performance

We defined brands as transparent brands when the information that consumers need is available in both quality and quantity. And we have set the target of making all our brands selling consumer products transparent brands by 2030. We are also looking at how to disclose information in ways that consumers find easier to understand.

Among our activities in 2019, we created a framework linking Japan, Europe and the Americas, obtained information for added information disclosure, made preparations for disclosing information and created a long-term road map.

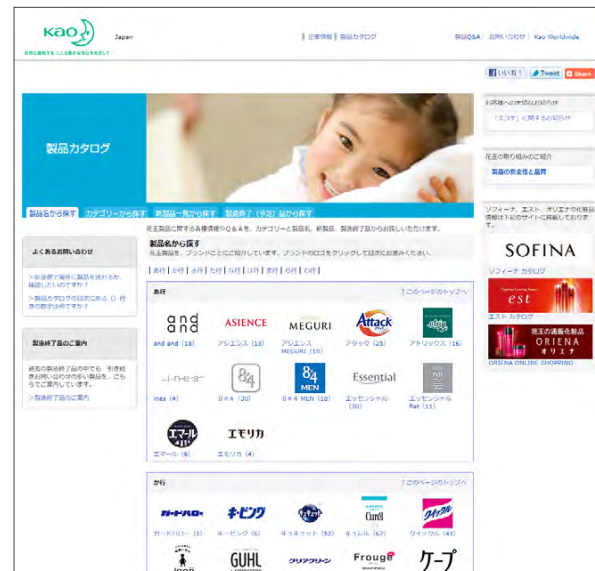
Our initiatives

Considerations in the product catalog website and individual product websites

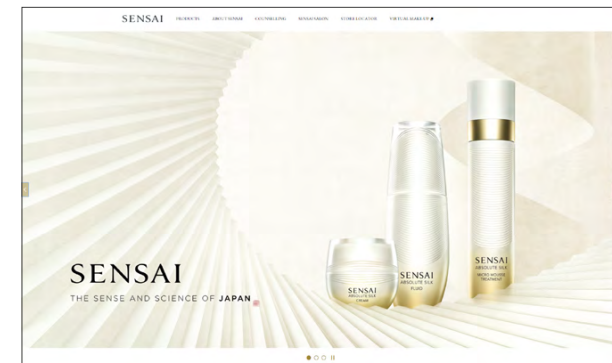
We disclose information needed to make decisions about whether products that customers are planning to purchase and products that customers already have purchased can be purchased and used with peace of mind.

In product catalogs on our website and on individual product websites, we provide information on product features and the ingredients used in products based on scientific evidence.

In 2019, we made preparations to disclose a greater amount of information mainly for brands in Europe and the Americas targeting consumers with strong awareness for ethical consumption.



➔ Product catalog website
www.kao.com/jp/en/products/



UK website for the prestige brand *SENSAL*.

Respecting human rights 102-12, 102-15, 103-1, 103-2

We have developed the Kao Human Rights Policy, which is based on the United Nations (UN) Guiding Principles on Business and Human Rights. Kao is implementing measures aimed at fostering respect for human rights in every aspect of our *Yoki-Monozukuri* processes.

Kao's creating value to address social issues

Social issues we are aware of

As the globalization of corporate activities advances and the supply chain expands, human rights risks such as forced labor are increasing. In addition, consideration for human rights is increasingly needed inside workplaces as employees, values and work styles become more diverse.

Kao's creating value

By collaborating with a diverse range of stakeholders to implement various measures that embody respect for human rights and endeavoring to prevent and mitigate human rights risks, we contribute to creating a cooperative society and achieving the Kao Way mission, which is "to strive for the wholehearted satisfaction and enrichment of the lives of people globally."

Risks related to realization of our vision by 2030

Interest in how companies address human rights is rising globally, and not demonstrating adequate consideration for human rights increases reputational risk.

In our business activities, manufacturing products in environments with poor labor conditions such as forced labor has the potential to create quality problems. In addition, if trust in us is damaged from

human rights risks, it may adversely affect purchasing behavior, lower employee motivation and loyalty, negatively impact productivity and increase employee turnover.

Opportunities related to realization of our vision by 2030

Respecting human rights and promoting fair purchasing activities invites consumer support for our corporate approach and helps build and maintain trustworthy relations with suppliers. Improved employee loyalty also leads to higher productivity.

Contributions to the SDGs



Policies

In 2015, we formulated and announced the Kao Human Rights Policy, which stipulates that we respect international norms relating to human rights, such as the International Bill of Human Rights, and that we will conduct human rights due diligence and human rights education for employees, working diligently to fulfill our responsibilities in regard to respecting human rights in every aspect of our operations.

The Kao Business Conduct Guidelines (BCG),

which serve as our code of conduct for practicing the Kao Way, clearly stipulate the need to respect human rights and to ensure that we are not involved with child labor, human trafficking or forced labor.

In the supply chain also, our Policies for Procurement stipulate the need for purchasing operations to embody respect for human rights, and to contribute to the fulfillment of our corporate social responsibility. In addition, the Guidelines for Supplier's Assessment include suppliers' fulfillment of their corporate social responsibility as an assessment item, and note that suppliers are required to take measures to prevent forced labor, child labor and other illegal labor practices.

Furthermore, our Guidelines for Sustainable Procurement of Raw Materials clearly stipulate the need to demonstrate awareness of sustainable development issues, including human rights, and to undertake the procurement of raw materials in a sustainable manner. We have formulated Sustainable Palm Oil Procurement Guidelines and Sustainable Pulp and Paper Procurement Guidelines.

In 2005, we declared our support for the UN Global Compact, which defines ten principles in the four areas of human rights, labor, the environment and anti-corruption. And we also support for CGF's* Forced Labour Resolution and its Priority Industry Principles.

* CGF (The Consumer Goods Forum)
Global network of consumer goods retailers and manufacturers. We are participating as a member company.



- Kao Human Rights Policy
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/kao-humanrights-policy.pdf
- Kao Business Conduct Guidelines (BCG)
www.kao.com/global/en/about/policies/compliance/business-conduct-guideline/
- Policies for Procurement
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-policy.pdf
- Guidelines for Supplier's Assessment
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-supplier-guidelines.pdf
- Guidelines for Sustainable Procurement of Raw Materials
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-raw-materials-guidelines.pdf

Education and promotion

In order to prevent and mitigate human rights related risks in every aspect of corporate activities, it is vitally important to ensure that every employee has an in-depth understanding of human rights issues, and to implement measures to foster respect for human rights. To this end, in line with the Kao Human Rights Policy, we make use of every opportunity to implement appropriate employee education and training, for example through the dissemination of information throughout the company, and through division-specific training, etc.

Collaboration and engagement with stakeholders

We make use of a variety of opportunities and methods to communicate with suppliers, consumers, shareholders, business partners, local communities, government agencies, etc., endeavoring to ensure that they understand our policies and ethical standards.

Framework

Reflecting the multi-faceted nature of human rights issues, we implement human rights related measures by having the Corporate Strategy Division, the Human Capital Development Division, the ESG Division, the Legal and Compliance Division, the Procurement Division and other divisions play a central role,

discussing specific human rights initiatives at regular meetings held four times a year and liaising with relevant departments and group companies inside and outside Japan. Measures are implemented under the responsibility of the Executive Officer in charge of the ESG Division, and are reported to the Management Committee and the Corporate Committee under it once a year.

Human rights problems potentially impact a wide range of stakeholders. We therefore assess what human rights risks exist for each type of stakeholder, and address them giving priority to those risks that would significantly impact our business activities if they were to manifest.

We designate employees and suppliers as our highest-priority stakeholders, and are conducting measures based on risk related surveys within the Kao group and the Guidelines for Supplier's Assessment.

The ESG Division functions as the secretariat for matters relating to human rights due diligence within the Kao group, and implements relevant measures in coordination with the Corporate Strategy Division, the Human Capital Development Division and the Legal and Compliance Division. To ensure that our employees are able to report and consult on compliance related issues when necessary, internal and/or external compliance hotlines have been established in each group company.

With regard to human rights related measures targeting the supply chain, the Procurement Division, which is our point of contact for communication with suppliers, plays a central role in encouraging suppliers to take appropriate steps.

Respecting human rights 103-2, 103-3, 412-1, 412-2, 412-3

Mid- to long-term targets and performance

Mid- to long-term targets

We are using human rights due diligence and awareness-raising activities to deepen understanding of stakeholders' human rights. We will continue to identify, prevent and mitigate human rights related risks in our business activities.

Human rights problems potentially impact a wide range of stakeholders. We therefore assess what human rights risks exist for each type of stakeholder, and address them giving priority to those risks that would significantly impact our business activities if they were to manifest. In addition, we have set ourselves the target of raising the human rights due diligence survey implementation rate to 100% for Kao Group companies, suppliers, and contractors that perform work at Kao worksites, by 2030.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Once a human rights violation occurs, the company is exposed to direct litigation risks and forced to bear litigation expenses, collection expenses and other economic burden. There is also greater probability of severe damage to our company image, a lower reputation among consumers, weakened employee loyalty, and loss of trustworthy relations with suppliers.

Continuing to identify, prevent and mitigate human rights risks in our business activities not only avoids direct economic losses but also contributes to increasing opportunities for consumers to choose our products through their support for our corporate approach, reduces procurement risks by strengthening trust with suppliers, improves productivity from increased employee loyalty, and reduces hiring costs from lower employee turnover.

Social impacts

Expanding company measures to ensure respect for human rights contributes to enhanced awareness for human rights in society as a whole. Our measures are one part of this. For example, deepening understanding among stakeholders enhances awareness for human rights in society as a whole, mitigates human rights problems such as forced labor, and can also prevent negative environmental impact by reducing indiscriminate development in developing countries.

Providing products made with consideration for human rights reduces the chances of consumers indirectly infringing on human rights and leads to less human rights violations in society as a whole.

Performance in 2019

Performance

Internal

- Conducted a survey of the group companies using the Human Rights Checklist (100% response rate from surveyed companies).
- Conducted a survey of the group production sites (40 plants in total) using the Sedex^{*1} Self-Assessment Questionnaire (100% response rate from surveyed plants).
- In 2015, the “Act to make provision about slavery, servitude and forced or compulsory labour and about human trafficking, including provision for the protection of victims; to make provision for an Independent Anti-slavery Commissioner; and for connected purposes” (the “Modern Slavery Act 2015”)^{*2} was enacted and came into effect in the U.K. A statement noting the measures taken by the group in relation to the Act has been posted on our website.

^{*1} Sedex (Supplier Ethical Data Exchange)

A large-scale global platform for the sharing and verification of information relating to labor standards, health and safety, environmental protection and business practices, aimed at promoting the adoption and maintenance of ethical business practices in global supply chains.

^{*2} Modern Slavery Act 2015

The Act requires for-profit groups and companies conducting business activities in the United Kingdom whose annual sales exceed a certain scale to produce and release annual statements about measures enacted to ensure that slave labor and human trafficking offenses have not been committed.



→ Modern Slavery Act Statement
www.kao.com/global/en/sustainability/topics-you-care-about/humanrights/modern-slavery-act-statement/

Supply chain

- As in the previous year, suppliers were encouraged to register with Sedex. The number of sites for which access rights with us have been established is 1,812 (as of December 31, 2019).
- Risk assessments were conducted at sites for which access rights with us have been established by November 30, 2019.

Consumers and shareholders

- Information about Kao’s initiatives is shared with consumers using our website, etc.

Business partners, local communities, government agencies, etc.

- Kao participates in the UN’s Global Compact Network Japan and in the Human Rights Coalition of the Consumer Goods Forum, and we exchange information with experts at other business enterprises, NPOs, international organizations and government agencies.

Human rights awareness-raising activities

- We have promoted awareness of the importance of respect for human rights through Kao Business Conduct Guidelines (BCG) training and refresher test implementation.
- We have posted material that addresses human rights topics on the company intranet to raise awareness among employees.
- We have continued to implement LGBT study sessions and LGBT ALLY recruitment, as part of our efforts to promote active participation by diverse employees and to foster understanding of diverse types of customers.

Reviews of performance

Through assessing human rights due diligence at our group companies using the Human Rights Checklist, at production sites using the Sedex assessment, and at suppliers by encouraging them to register with Sedex, we have advanced efforts to identify, prevent and mitigate human rights risks in our business activities, which is one of our mid- to long-term targets.

Our initiatives

Human rights due diligence process

We are making efforts to investigate and identify human rights risks involving the group, including forced labor, workplace labor conditions and discrimination.

1. Efforts in the group

Every year, we perform a risk assessment targeting all of our business locations throughout the world. With respect to production sites, we make effective use of Sedex, a global corporate ethics information sharing platform. For other Kao Group companies besides the production sites, a Human Rights Checklist was compiled, which these companies are required to complete. In 2019, a total of 40 production sites completed the Sedex Self-Assessment Questionnaire. For other Kao Group companies, a total of 56 Kao Group companies completed and returned the Human Rights Checklist. In both cases, there was a 100% completion and return rate. The results obtained did not show any human rights related risks at either our production sites or our group companies. There are therefore no cases of improvements being implemented as a result of human rights due diligence.

2. Efforts in the supply chain

New clauses relating to concern for the environment and for human rights added to standard contract with suppliers

In 2012, new clauses relating to concern for the environment and for human rights were added to the master agreement that we sign with suppliers. In principle, this master agreement is used when signing contracts with new suppliers or renewing existing contracts.

Request for self-assessment and monitoring

Since 2008, suppliers have been required to perform self-assessments of their conformity with the Guidelines for Supplier's Assessment, which we then monitor. In the case of suppliers whose self-assessment shows a failure to meet the required standards, our personnel visit the supplier so that the supplier can share information about the problems, and so that we can collaborate on achieving improvements. Since joining Sedex in 2014, we have held presentations to explain Sedex to suppliers, and we continue to request that suppliers join Sedex, respond to Sedex questionnaires, and set up data access rights. The number of sites for which data access rights have been established so far is 1,812.

Internal human rights education

Raising awareness of the importance of respecting human rights using the BCG (global)

We hold workshops throughout the world to deepen understanding for the Kao Business Conduct Guidelines (BCG), which set out our approach to ensuring respect for human rights among employees in all of our group companies. The BCG, which were revised in April 2019, clearly stipulate the need to understand and respect human rights, to abide by the Kao Human Rights Policy, and to have zero tolerance for child labor, human trafficking and forced labor. We have sought to enunciate our stance regarding respect for human rights through every aspect of our business activities. In line with the revision of the BCG, we held presentations and also implemented refresher testing to verify that all employees in Japan had familiarized themselves with the BCG in 2019. We also provide classroom-based training for newly recruited employees and

for newly appointed managers, etc.

Raising awareness of the importance of respecting human rights using the company's intranet (Japan)

We have posted material that addresses human rights topics on the company intranet to raise awareness among employees. In August 2019, a manager of our Procurement Division posted an essay relating to human rights, which explained that forced labor still exists in today's world in the agriculture, forestry and fisheries industries and in the mining industry, and that there are people who are working in harsh working environments on small-scale oil palm farms, and described the measures that we are taking to address these issues. In September and December 2019, information was posted about Kao's initiatives in relation to sustainable procurement and the 70th anniversary of the Universal Declaration of Human Rights, respectively.

Respect for human rights in advertising (Japan)

We have put in place a framework to facilitate self-checks in relation to verification of how the human rights perspective is presented in advertisements, product packaging, etc., and we provide opportunities to hold discussions once a week on incidents that are difficult to decide independently among members of business divisions, departments involved in producing advertisements, the Product Quality Management Division and the ESG Division. We are conducting awareness-raising educational activities to ensure that personnel in business divisions, the Creative Division and PR departments, etc. who are involved in the production of advertisements, product packaging, etc. are aware of human rights perspectives that apply to advertising.

Human capital development 102-12, 102-15, 103-1, 404-2

Employees are a company's most important asset. Aiming to draw out the unlimited potential that every employee possesses to generate immense vitality, and utilize this vitality to the maximum possible extent as an organization. We strive to create an environment and a corporate culture in which both individuals and the company grow together through successful completion of work and making positive contributions to society.

Kao's creating value to address social issues

Social issues we are aware of

In the midst of trends such as the digital revolution symbolized by coexistence with AI, ESG management and the advent of a super-aged society in Japan, the optimal forms of how people live, social systems and jobs are undergoing major changes.

In conjunction with these changes, employment and human capital management are also entering a period of innovation. Human capital strategies that anticipate these types of changes are important for the continued growth of a company.

Kao's creating value

We are expanding our support measures in relation to childcare, nursing care and long-term care needs, and we are implementing measures to promote empowerment of female employees, promote normalization (expand employment and utilization of persons with disabilities), expand the continued employment and active utilization of older employees who have already passed retirement age, promote more flexible work styles, and raise productivity by enhancing efficiency and changing attitudes.

Furthermore, reflecting our awareness of the fact that employees' health represents not only a key foundation of each employee's life but also an important asset for the company and a fundamental source of corporate growth, we are providing active support to encourage employees to look after their own health properly.



→ p. 175 Walking the right path > Employee wellbeing & safety

We are therefore making a global effort to promote diversity and inclusion so that all employees are able to demonstrate their different characteristics and capabilities to the maximum possible extent.



→ p. 162 Walking the right path > Inclusive & diverse workplaces

We are strengthening and promoting, on a global basis, measures to cultivate human talent that can make a wide-ranging positive contribution to society through corporate activity.

Besides aiming to enhance both corporate growth and employee motivation, we eliminate authoritarian approaches and place great importance on a corporate culture in which top management and employees collaboratively work together to achieve business goals. In order to build favorable labor relations, we provide opportunities for sharing and discussion with employee representatives with regard to our current situation and policies as well as measures for human capital development. This encourages our employees to further exercise their creativity, and to provide even higher-quality products and services.

Risks related to realization of our vision by 2030

By reinforcing the development of next-generation

leaders who can anticipate changes, conducting business that enables each member of a diverse workforce to perform their work in a healthy and enthusiastic manner, and achieving growth by performing work and contributing to society, we will become a company with a global presence that undergoes continuous growth.

If we fail to maintain healthy labor relations, then employee engagement may fall, and there is a risk that we may be unable to achieve the business objectives that we planned in order to realize our vision for 2030.

Opportunities related to realization of our vision by 2030

By reinforcing the development of next-generation leaders who can anticipate changes, conducting business that enables each member of a diverse workforce to perform their work in a healthy and enthusiastic manner, and achieving growth by performing work and contributing to society, we will become a company with a global presence that undergoes continuous growth. By maintaining and developing healthy labor relations, we can strengthen employee engagement.

If our employees are able to further exercise their creativity, then it can be anticipated that we may be able to achieve results that surpass the business objectives that we planned in order to realize our vision by 2030.

Contributions to the SDGs



Policies

The efforts of each and every employee to pursue individual achievements by exercising his or her own abilities and characteristics to the utmost can contribute to the success of the employer. Based on this concept, we aim to create such an environment and corporate culture.

To this end, we have defined this policy as the Guidelines for Human Capital Development and have made clear what constitutes an Ideal Organization and Ideal Human Capital. With the objective of achieving this policy, we provide various opportunities and support for employees to develop their skills and capabilities within Kao's line management framework in accordance with their own level of motivation and organizational goals.

Furthermore, we clearly state roles and responsibilities and endeavor to fairly evaluate the performance of each employee on a regular basis in order to provide fair evaluations and compensation without regard for employment status, gender, or other individual attributes.

* Employee compensation is set at levels commensurate with our company capabilities and growth, and at levels ensuring market competitiveness through verification of external markets and other factors.
Through this verification, compensation levels also adequately take into consideration living wages.

Guidelines for Human Capital Development

Continuously improve overall efficiency based on creative and innovative activities aimed at the sustainable growth of the Kao Group through *Yoki-Monozukuri*.

(Pursuit of efficiency)

Provide a work environment where each individual's dignity is respected, and which makes full use of employees' autonomy and diversity, since the enthusiasm of all employees to display their boundless wisdom is the wellspring of creation and innovation.

(Respect for human dignity)

Integrate organizational efforts and individual efforts through creative and innovative activities so as to achieve evolution for all. Make efforts to improve policies in order to offer all individuals freedom to display wisdom, and to enable combined individual efforts to lead the Kao Group to further prosperity.

(Efforts aimed at integration)

Vision of Human Capital Development

Ideal Organization

We are committed to building organizations that are characterized by openness and frankness so as to encourage people to pursue innovation, by empowerment characterized by greater transparency, and by organizational management based on the Kao Way. We also endeavor to actualize organizations in which the entire Kao Group operates harmoniously based on the concept of an "organically functional organization" that flexibly and quickly adapts to environmental change.

Ideal Human Capital

1. People with consistent willingness to take on challenges
Challenge & Change
2. People with high expertise
Professional Capabilities
3. People with a global perspective
Global Perspective
4. People with the team spirit needed to achieve superior performance
Communication & Collaboration
5. People with strong ethics
Integrity

Education and promotion

Our Guidelines for Human Capital Development, and the concepts of the Ideal Organization and Ideal Human Capital that constitute our vision for human capital, are posted on our company's intranet so that employees can check them at any time. We are also working to ensure that this vision is disseminated as widely as possible, by sharing the vision during a wide range of training activities, including training for employees who have just been appointed to managerial positions, and training for cultivating global leaders, etc.

In addition, we strive to foster understanding between senior management and employees by facilitating opportunities for mutual dialog, with the objective of developing a sense of unity throughout the group. We promote mutual understanding between senior management and employees by providing opportunities for the exchange of opinions and views whereby the senior management explains priority issues such as the company's current situation, policies and human capital development to employees as well as responding to their questions. In this way, we establish an understanding of the genuine concerns and opinions of employees, which then feeds into ongoing measures to develop human capital and policies to improve the workplace environment, among other undertakings.

There are regular opportunities for dialog between the factory labor unions at Kao Corporation's Wakayama Plant and Sakata Plant, and the labor unions of our affiliate companies, and our senior managers and human resource managers, enabling

us to respond to the labor unions' proposals and expectations, and making it possible for management and employees to share details of our current situation and future strategy.

Collaboration and engagement with stakeholders

We strive to enhance employee engagement by holding activities involving the exchange of views between senior management and employees as opportunities for dialogue.

We also conduct *Find* employee survey, periodically to realize the goal of creating a "Great place to work." We then confirm the respective strengths and areas where improvement is needed of each organization by visualizing the organizational status using numerical data. Subsequently, we identify our challenges based on analyses of these results, and formulate and set and implement effective action plans. In these ways, we endeavor to consolidate the RPDCA cycle* to improve our organization and workplaces.

In the 2018 employee survey *Find*, the global response rate was 70%, with the affirmative answer rates to a question on "Engagement/Employer of Choice" of 66% and to a question on "Development Opportunities & Climate" of 52%.

* RPDCA cycle

This adds "Research" (which equates to "analysis of the current situation") to the PDCA cycle for operational improvement. Doing so has allowed us to strengthen our ability to respond to changing circumstances.

Framework

Human Capital Development Structures

To promote activities within the group in accordance with the Guidelines for Human Capital Development, we have introduced a framework that is shared and utilized globally. For example, we manage labor costs and make use of human capital information via a global human capital information system. We also improve our organizational capabilities through the employee survey *Find* and bolster our human capital management and development through the establishment of job rank, evaluation and training systems and compensation policies that are shared globally.

We pursue these activities under Senior Vice President of Human Capital Development and our matrix management structures in cooperation with the human capital development divisions of each group company, both within and outside Japan.

Furthermore, we have set up human affairs functions within major divisions in Japan while also establishing on-site career coordinators who oversee the nurturing of each employee and provide assistance in career development.

The Human Capital Development Conference, which is made up of the persons responsible for human capital development in major divisions and group companies in Japan, meets monthly, while persons responsible for human capital development overseas meet annually to share information on and discuss policies relating to human capital development throughout the group and the status of activities at each group company.

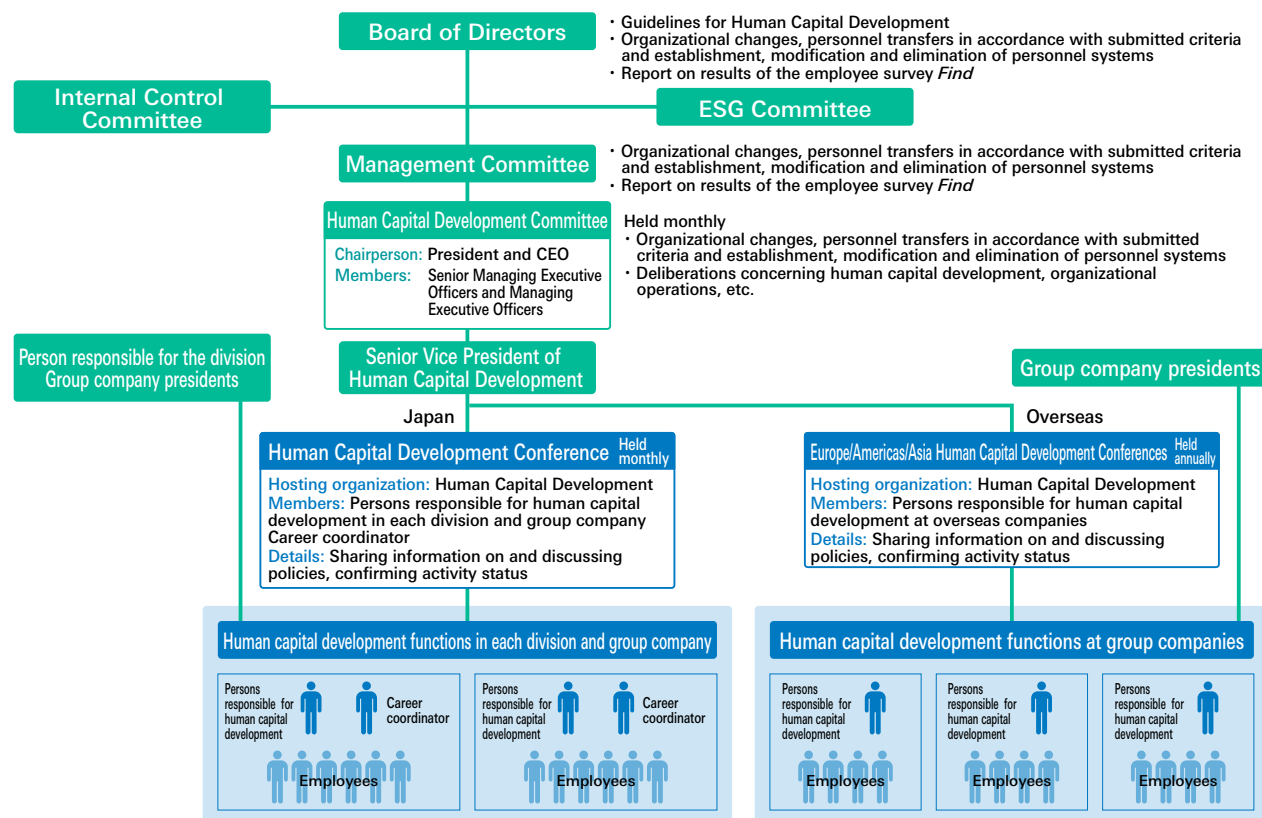
Major organizational changes, personnel transfers in accordance with submitted criteria and establishment, modification and elimination of personnel systems are

deliberated on by the Board of Directors, Management Committee and Human Capital Development Committee.

In addition to the above, the officer responsible for the Human Capital Development Division reports on human capital development policies and the results of the employee opinion survey *Find* to the Board of Directors.

The Human Capital Development Committee, where top executives participate as members, meets monthly to discuss human capital development, organizational operation and other matters in addition to deliberation matters pursuant to submitted criteria.

Human Capital Development Structures



* As of December 2019.

Human capital development 103-2, 103-3, 404-2

Employee dialogue structure

Platforms for regular dialogue with employees include Employee Welfare Committees at each worksite and branch, Employee-Management Meetings at every group company, and the Kao Forum for the group as a whole.

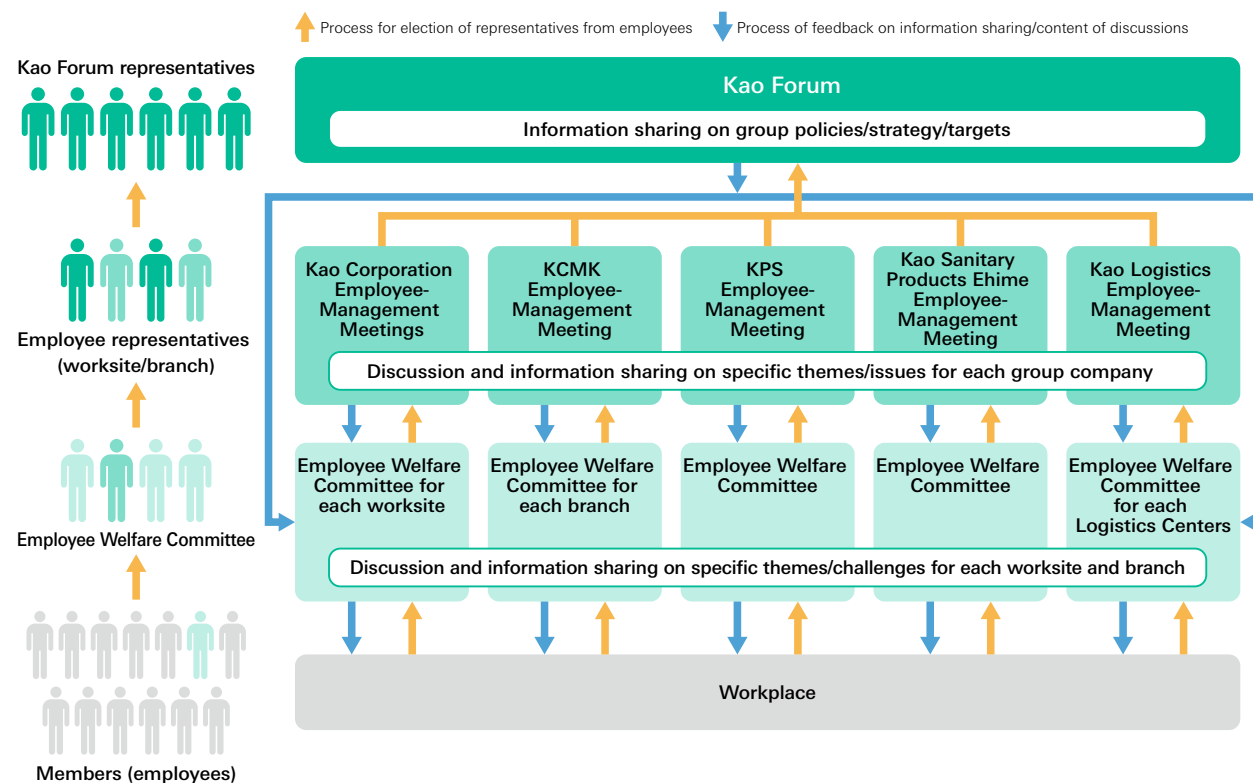
The Kao Forum is held in both Japan and Europe, with employee representatives from Kao Corporation, Kao Group Customer Marketing Co., Ltd. (KCMK), Kao Professional Services Co., Ltd. (KPS), Kao Sanitary Products Ehime Co., Ltd. and Kao Logistics Co., Ltd. participating in the Kao Forum in Japan.

Meetings of the Employee Welfare Committee are conducted monthly, and the Employee-Management Meetings and Kao Forum are conducted twice a year. Continuous mutual information sharing on the content of the discussions and information shared at each meeting is implemented for all employees through the employee representatives and Employee Welfare Committees.

Within the group as a whole, the percentage of employees that are union members is 36%*.

* This figure excludes Kao Group member companies that do not track the number of employee union member. Due to information protection reasons and freedom of association of countries/regions where they operate business, employer doesn't have the rights to confirm about the Union membership.

Employee dialogue structure



Mid- to long-term targets and performance

Mid- to long-term targets

For the process of respecting, eliciting and fostering the potential inherent in all individuals, such as pursuit of the essence, creating to generate new values, and learning on their own initiative, we seek to identify the potential of each individual from multiple perspectives, and we provide support so that all employees can continue to hone their capabilities, knowledge, skills and experience on an ongoing basis.

We also seek enhance and consolidate the RPDCA cycle moving toward regular implementation of employee survey *Find* and organizational improvements.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

By promoting the enhancement of employees' skills and sense of purpose and the retention of human capital, and by enabling individual employees to fully demonstrate their abilities, the organization as a whole can generate high performance, while ensuring appropriate opportunities for dialog and thereby enhancing employee engagement. In this way, we can achieve our planned growth goals, or even achieve results that exceed these goals, which in turn will ensure and expand profitability.

In addition, the reduction in employee turnover can be expected to lead not only to a fall in recruitment costs and an improved return on investment in human capital, but also to an enhancement in Kao's reputation as an employer.

Social impacts

When, thanks to improved employee engagement, employees boldly take on challenges without fearing change in workplaces where they feel a sense of purpose, ideas that potentially solve social problems are generated, and we can provide products and services that enhance consumer satisfaction and even better products and services that help to realize a sustainable society.

Performance in 2019

Implementation of training programs to encourage self-learning and lead change

- Development of global leaders

The Global Leadership Development Program has been implemented as a global program common to all group companies, in which members selected from individual group companies study Kao's management challenges from a broader perspective and make proposals to top management.

The program had 19 participants in 2019 (8 from Kao Group companies outside Japan, and 11 from Kao Group companies within Japan).

In addition, we have implemented the roll-out of the Managing Human Performance Program (MHPP) in countries around the world to strengthen line management capabilities.

In 2019, a total of 361 employees (174 male employees and 187 female employees) underwent MHPP training in Japan. A revised MHPP program has been implemented in Kao Group companies outside Japan since 2017 to foster closer coordination and collaboration throughout the group and strengthen management.

Each of these programs has received high evaluations from participants.

- Providing employees with diversified development support Starting in 2017, we have implemented a 50+ Career Seminar for employees who have reached the age of 50 (starting with Kao Corporation), in addition to the Life Career Design Seminar for employees who have reached the age of 45 and the Life Plan Seminar for employees in their late 50s.

Dialogue with employees

- Employee survey *Find* and actions taken based on the results

We have implemented the action plan based on the results

obtained in the employee survey *Find* that was implemented in 2018.

- Employee communication

In February and July 2019, Employee-Management Meetings and the Kao Forum were conducted in each Kao Group company. The Kao European Forum was conducted in the European region in June 2019, with 18 employees participating as regional representatives.

At the Kao Forum, where employee representatives from different Kao Group companies were brought together, a total of 29 employee representatives participated: 15 from Kao Corporation, 10 from KCMK, two from KPS, one from Kao Sanitary Products Ehime Co., Ltd., and one from Kao Logistics Co., Ltd. Questions were fielded from employee representatives, which included questions regarding the orientation of respective business areas, product development and deployment of sales measures, activities relating to advanced technology, and ESG activities, etc. Many positive comments were received from employee representatives, including: "My sense of belonging to the Kao Group has increased" and "I learned more about our direction and approaches, which will serve as a useful guide for the future."

At the Employee-Management Meetings, there was concrete discussion regarding the strategies and measures being implemented by individual companies, etc. During the Employee-Management Meeting at Kao Corporation, the discussion between human resources management and employees focused on issues relating to human resources and employee welfare matters, with an exchange of views regarding measures to promote better workstyles.

- Following the adoption of the working-from-home system, we share information regarding the system's usage status and continue to exchange views.

- Regarding the expansion of career support options for employees who are re-employed after reaching retirement age, we report on progress and exchange views.

Human capital development costs

	2015	2016	2017	2018	2019
Average training hours	—	—	13.0	12.6	14.1
Expenditure on education and training per employee (consolidated)	69,000 yen	66,000 yen	58,000 yen	56,000 yen	51,000 yen

Reviews of performance

Implementation of training programs to encourage self-learning and the ability to guide change

From 2020 onwards, we will be strengthening our programs for supporting the developing the next generation of managers who will function as global business leaders. We will also be creating opportunities for managers to undertake liberal arts study at an earlier stage. In addition, we are further expanding the Managing Human Performance Program (MHPP) to strengthen line management capabilities. We will expand learning the range of opportunities for individual employees to learn according to their own needs, so that employees with a high level of motivation to continue to learn, change and grow by themselves can put themselves forward and challenge themselves.

Dialogue with employees

In 2020, we are continuing to implement action plans formulated to address the issues identified from the results obtained in the employee survey *Find* 2018, and we are implementing measures to resolve these issues. We implement concrete action plans, in line with the issues affecting individual organizations, which embody the key features of the strategy adopted for company-wide measures, including Communication and Challenge, etc.

Our initiatives

Human Capital Development Programs

Developing global leaders

In developing future leaders who can drive our global business development, we collaborate with high-profile international business schools to implement intensive training. Besides working to enhance trainees' management skills, we have also been working to expand opportunities for them to encounter the latest discoveries in a wide range of fields and to build their personal networks. Liberal arts studies have also been included as a way to cultivate depth of insight and a strong value system.

Providing employees with diversified development support

- In-house trainers have been cultivated at individual Kao business locations, working with speed and attention to detail to ensure that all employees absorb the Kao Way and Kao's emphasis on Integrity, and acquire necessary business skills.
- By expanding opportunities for cross-industry exchange when employees are reaching milestones in their careers, and building networks to expand employees' perspectives, we have provided enhanced stimulus for intellectually creative activity.

- We have adopted the Self Education & Development Scheme (SeEDS), whereby, once the direction that the individual employee hopes to take their career in has been confirmed, we promote individualized career development based on human capital development and suitability perspectives.
- In Japan, recognizing the growing importance of career development that takes into account the work styles appropriate for employees who wish to continue working after the age of 60, we have been implementing programs such as the Life Plan Seminar for middle-aged and older employees.

Career development support

- We are promoting individual career development throughout the group for all employees regardless of which group company they are employed by and regardless of the type of employment and are building an environment in which all employees can challenge themselves while working toward forward-looking goals.
- We have adopted the Self Education & Development Scheme (SeEDS), whereby, once the individual employee has decided on which direction they hope to take their career in, we implement











individualized career development support based on human capital development and suitability perspectives.

Human capital development through the employee evaluation system

- Through our fair and transparent evaluation system, we are able to draw out the motivation, pride and personal growth of individual employees through the process of taking on challenges and achieving goals, implementing systematic and carefully planned human capital cultivation over both the short term and the medium to long term.
- We have standardized our performance management system with some of our affiliates in Japan, Europe, the Americas and Asia, and have put into operation infrastructure using common metrics. We implement an annual cycle that includes a series of linked processes as follows: (1) Setting of targets and task implementation, (2) Monitoring of performance and follow-up during the implementation period, (3) Evaluation determination based on confirmation of the results achieved, and (4) Capability development review using feedback interview sessions.

Human capital development 404-2

Kao Group global common training program and specialist programs

		Marketing	Sales	SCM	R&D	Information Systems
SMP Level	 Global Leadership Development Program II					
	 Global Top Management					
	 Training for Promotion to G3 Level					Stage 3 Integrated IT Training
MP Level	 Global Leadership Development Program I		BLDP Advanced	Supply Chain Development Program - Advanced Course	Specialist Programs Managers and Supervisors Forum	Stage 2 Methodology Training (Application) Applied Application Training Applied Technology Training
	 Managing Human Performance Program (MHPP)		BLDP Basic Sales			
LS Level	 Training Program for International Assignment	"Marketing University" (Master Level)	Exchange Program	• Supply Chain Development Program - Basic Course • Kao Techno School • Kao Engineer School • "High Pressure Academy"	Science Basics Academy	
	 Business Skills Facilitation, negotiation, project management	"Marketing University" (Basic Level) MK Management Strategy Fundamentals • Communication • Research • Marketing Fundamentals II	AC Training Key Account Management Excellence	• "Anti-microbial Technology Academy" • Quality On-the-job Training (OJT) • SHIC		Stage 1 Methodology Training (Basic) Basic Application Training Basic Technology Training
	 Kao Way  Integrity	Marketing Fundamentals I	Introductory Training Field Sales Excellence	Monozukuri Skills Transmission C	"Freshman Forum"	
S Level	 New Employee Orientation					Specialist IT Training for New Employees

SMP Level: Senior management/senior professional level

MP Level: Management/professional level

LS Level: Leading staff level

S Level: Staff level

Implementation of the employee survey *Find*, and drafting of action plans

The employee survey *Find* is implemented regularly, once every two years. In the first year, the focus is on survey implementation, results analysis and development of action plans. In the second year, the action plans are put into practice. The implementation results are then verified in the next *Find* survey, thus ensuring effective the implementation of the RPDCA cycle.

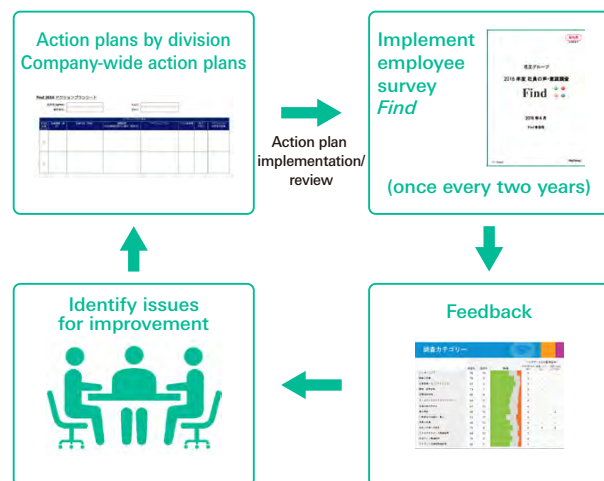
In 2019, we implemented, on a company-wide basis, the action plan based on the results obtained in the 2018 employee survey *Find*. As regards the overall

strategic direction for company-wide action, we selected five key items, including moving forward to the big changes and challenges relating to implementation of K20, and Return to the basics of the Kao Way "To be closest to consumers and customers." Action plans were formulated following discussion at each worksite, and taking into account the issues already affecting individual companies and divisions. All employees worked to implement these action plans with an ownership mindset. To ensure that action plans were properly implemented, the

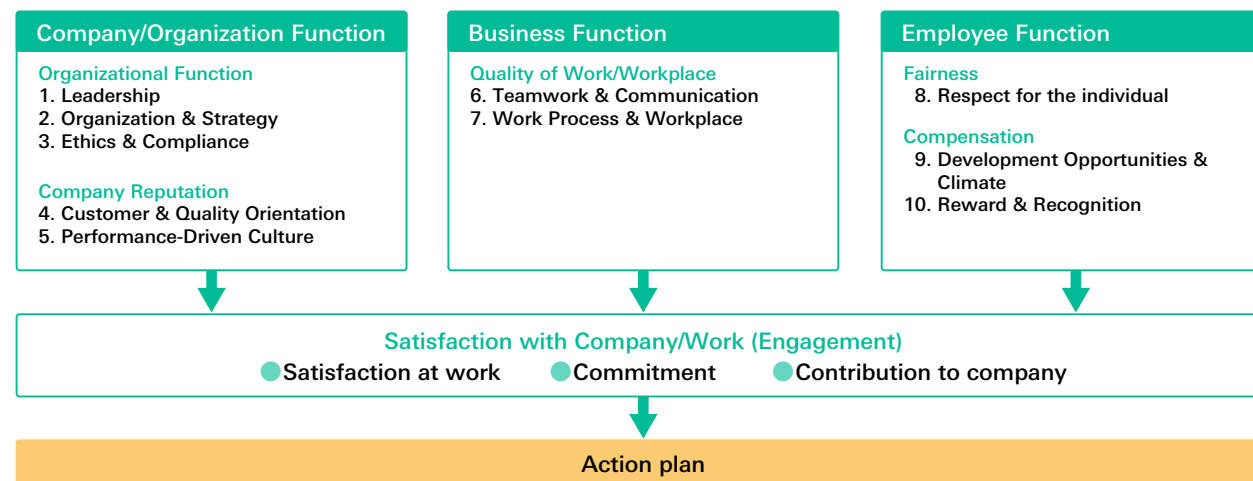
progress status was monitored on a periodic basis by both the company and the individual employees.

The *Find* survey is normally implemented once every two years. However, in order to reevaluate the questions, so as to be able to implement more effective measures, the next survey is being postponed by one year, and will now be implemented in 2021. In 2020, we will continue to focus on implementation of the action plans, with all employees working together to enhance our overall organizational capabilities.

RPDCA to improve organizational capacities



Employee survey *Find* questionnaire items



Human capital development

Topic External Evaluation

Recognition in Nikkei's Smart Work survey

Kao Corporation received an evaluation of 4.5 stars in the Smart Work enterprise management survey implemented by Nikkei, Inc.

The survey, which targets Japan's listed companies and some larger unlisted companies, defines Smart Work management as business management that realizes the maximization of organizational performance through the effective integration of three key elements such as the adoption of diverse and flexible work practices, a corporate structure that fosters innovation, and the ability to develop markets. Evaluation and certification is performed using a five-point scale that also takes into account other management fundamentals, such as corporate governance.



Inclusive & diverse workplaces 102-12, 102-15, 103-1, 103-2, 404-2

Kao believes that the vitality derived from diversity can create new value for society. To this end, as a company, we strive to have all employees to maximize their passion and skills in an organizational culture that accepts the diverse personalities and values of individual employees, and to combine their abilities to enhance our overall capabilities.

Kao's creating value to address social issues

Social issues we are aware of

Social values and lifestyles are undergoing significant changes and are diversifying. In addition, as business becomes globalized, economic and social uncertainty has increased.

In this changing society, the number of employees who are working while dealing with problems in their lives is growing, and so is the number of employees who need to adopt different workstyles.

For a business enterprise to realize sustainable growth, it is vitally important to be accepting of diverse employees, and also to adopt a proactive approach toward social change.

Kao's creating value

By giving employees with different backgrounds the opportunity to fulfil their potential, and by pooling the capabilities of each individual employee, we can enhance the creativity and innovation of our organization, and can continue to provide products and services that realize even higher satisfaction than in the past to customers with a sense of urgency.

We will improve the work environment where employees can work regardless of personal attributes (such as nationality, gender, sexual orientation, gender identity, age and disability), and promote support for balancing work with childcare, nursing care, or family care with the aim of improving the comfort of all employees and maximizing the results of our operations.

Risks related to realization of our vision by 2030

We believe that a company that is unable to employ diverse human resources would find it difficult to achieve continuous growth. A decline in employee enthusiasm and an increase in the number of employees leaving the company, as well as difficulty in recruiting talented people, may prevent the company from fully demonstrating its overall capabilities.

Opportunities related to realization of our vision by 2030

Increasing employee enthusiasm, contributing to the company's growth and expressing a global presence within the promotion of diversity and inclusion (D&I) enhance the value that society perceives the company as providing and expand the pool of future employee candidates who want to work for Kao.

Contributions to the SDGs



Policies

By including the individual personalities and values of diverse employees, and by developing employees' passion and capabilities to the maximum extent, we can invigorate our organization and enhance its overall capabilities. Taking as a foundation the relationship of trust that has been formed through smooth communication between management and employees, we are working to create an environment in which employees can focus on their work with enthusiasm, and an culture and environment in which employees strive to make effective use of their own diverse experience in their work, and in which people feel that they are properly rewarded for doing their utmost.

Through these efforts, we aim to realize a virtuous circle of organizational and personal growth.

Education and promotion

In order to make diversity a source of vitality for our organization, we are spreading awareness of the meaning of D&I, and providing the knowledge and information needed to put it into practice. There are significant differences in the current state of diversity and in the relevant issues depending on the nature of the work being performed, etc., and depending on the individual group company or unit. With this in mind, we aim to make it possible to properly identify the issues relating to D&I promotion and to formulate and implement related plans, as well as to enable each individual employee to realize improvements in relation to the action that they need to take.

Inclusive & diverse workplaces 102-43, 103-2

Collaboration and engagement with stakeholders

Given the rapid pace at which society is diversifying, just relying on the internal exchange of views within the company will not constitute an adequate response. With this in mind, in regard to activities that are strengthening social momentum, we are striving to take a proactive attitude toward participation in such activities, in cases where we agree with their goals. We have participated as a member of the study groups of government agencies and various organizations, giving corporate case study presentations at lectures and seminars and arranging tours of our special subsidiary, etc. when possible.

Framework

We are working to promote the recruitment, cultivation and appointment of diverse human capital in each of our organizations, while also building a framework in which the fostering of a corporate culture, that values D&I, can be promoted on multiple levels.

Matters relating to promote diversity among management candidates and strategies for the group as a whole are discussed by the Human Capital Development Committee, which consists of executive officers.

Kao Corporation has a special-purpose organization to promote and firmly established D&I throughout the group. Collaborating with a

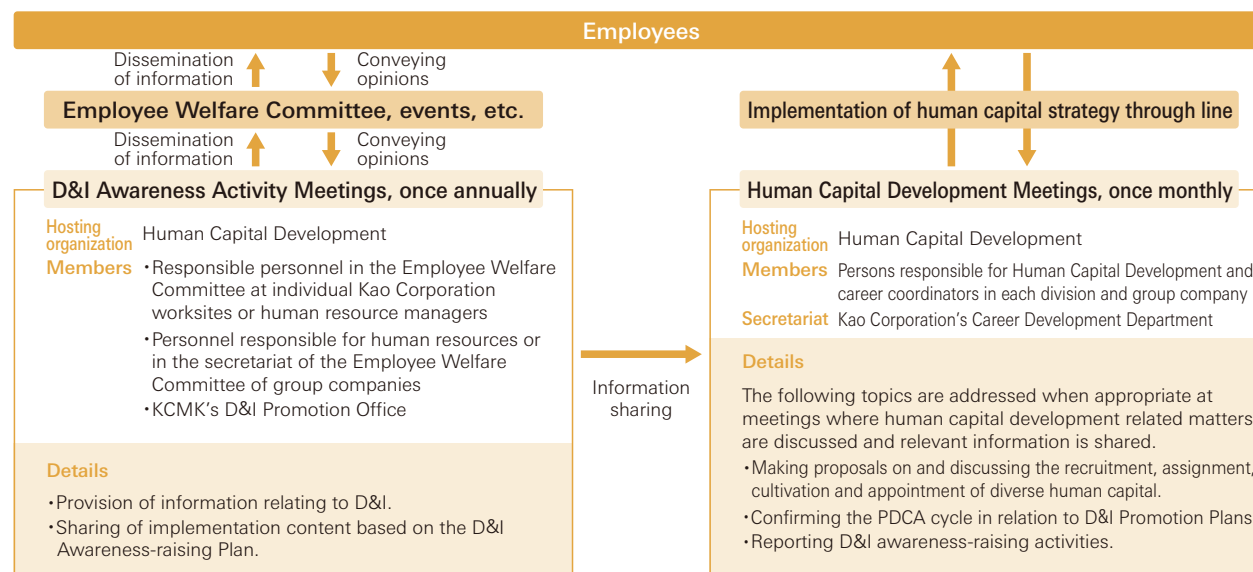
specialized organization in Kao Group Customer Marketing Co., Ltd. (KCMK) Group, and with the persons responsible for human capital development in each group company and division, we broadly share information and opinions, and deliberate, through meetings of the Human Capital Development Committee and other individual meetings.

At each of our companies and divisions within Japan, we formulate and implement D&I promotion plans based on an analysis of the current situation in each organization, so as to promote the diversification of human capital and build organizations that are accepting diversity. In this way, we aim to realize continuous improvement.

Responsible managers and personnel from nine worksites of Kao Corporation and from major group companies undertake the dissemination of information regarding D&I promotion and plan and implement related events.

Up until 2018, we held D&I Awareness Activity Meetings at which participants reported on examples of best practice and shared information about the latest D&I-related topics. We are now examining ways to adjust this system so that we can respond appropriately to each issue in line with the circumstances at individual organizations. In 2019, the responsible managers at individual organizations were approached in relation to specific topics.

Framework for D&I promotion activities



* As of December 2019.

Mid- to long-term targets and performance

Mid- to long-term targets

Responsibility for promoting D&I is shared by all employees. Our aim is to show where we need to get to and the actions we must take to get there in an easy-to-understand manner, and ensure that all employees fully understand the meaning of deriving vitality from diversity, and are able to put this into practice. In addition, we are implementing measures aimed at creating an environment and corporate culture that encourage all employees to enthusiastically play an active role in the company, regardless of gender, disabilities, or whether they have childcare, nursing care or other family responsibilities.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

- Enhanced vitality, at the level of both individual employees and the organization as a whole, through a higher sense of fulfillment and pride in one's work.
- Improved employee retention and increased competitiveness in the hiring market through becoming a more attractive company to work for.
- A greater sense of unity throughout the group by implementing measures that include overseas group companies.
- As a result of the above, reduced costs relating to hiring and employee retention, and higher revenues resulting from the contribution to business

continuity and the enhanced creativity, can be expected.

Social impacts

It becomes easier to create new value, and we are able to provide better products and services that lead to customer happiness and satisfaction.

Performance in 2019

Performance

Individual group companies and divisions are proceeding with measures that address their respective issues.

Within Japan, besides the steady implementation of measures to address issues relating to employee attributes, we have also sorted out issues including employee attributes etc., so that we can determine which segments and content we need to focus on strengthening measures for in the future.

We also implemented several discussions with top management regarding the fundamental meaning of D&I promotion within the organization.

Reviews of performance

In 2019, we engaged in more in-depth discussions with top management regarding the definition of diversity and the meaning of Kao's D&I promotion activities. Through the summarizing of these discussions, we will be formulating a more concrete picture of our new D&I initiatives in 2020. In line with this, we have amended the original plan for rolling out new initiatives throughout the whole group, including overseas worksites, so that this will now take place from 2020 onwards.

Our initiatives

Promoting Participation by Diverse Human Talent

Screening and development regardless of gender and other personal attributes

We have adopted the principle of using thorough implementation of evaluation and recruitment that does not discriminate based on personal attributes, so as to foster the appointment of and active participation by the kind of human capital that we need. In order to rapidly eliminate the disparities in gender ratios—for both the number of employees and the number of managers—issues regarding gender are incorporated into the D&I promotion plans for each department, and those plans are carried out. In addition, we set target values for selecting core human capital according to the composition of the workforce, and we are steadily implementing selecting and development regardless of personal attributes. Human capital meetings conducted by executive officers engage in discussions while confirming that women are included among the candidates for senior positions.

As the number of role models available for women is more limited than for men, we encourage female managers to participate in multiple outside study groups in other industries as a part of our positive action. In addition to study groups conducted by NPOs and public service corporations, female executive officers within Kao voluntarily plan and implement study groups in collaboration with officers from other companies.

KCMK Group

At the KCMK Group, which has a particularly large

number of women employees, in 2019, as in 2018, we cooperated with the AEON Group and HOYA Vision Care and planned a cross-industry networking event for women employees just below managerial level, so that participants could broaden their outlook through dialog and exchange with a large number of other people. A total of 30 people participated in the networking event, of which 5 were from the KCMK Group.

Promoting the recruitment of non-Japanese employees at Kao Corporation's Research and Development

In relation to recruitment of researchers in Japan, Kao Corporation's Research and Development is actively recruiting non-Japanese researchers, and has set a target for the number of non-Japanese researchers to be hired. By developing collaboration among employees with diverse backgrounds, the aim is to both foster a corporate culture conducive to new value creation and help employees to achieve personal growth. To this end, besides recruiting from among foreign students studying at Japanese universities, we are also working with Kao Germany GmbH to recruit directly from overseas universities.

Some of our workplaces are making an effort to ensure that meeting materials are available in English and to foster English communication in the workplace. In addition, English-language lunch meetings for colleagues from different countries are organized by volunteers, helping to build ties beyond the directly work-related relationship.

LGBT training

To promote employee understanding of LGBT issues, we conducted e-learning for all employees in Japan, held periodic training sessions and lectures, and installed relevant signage on our multi-function toilets, etc. In 2019, we provided training for cosmetics brand staff, with 32 people participating. Since 2015, training of this kind has been held in seven sites across Japan, with a cumulative total of 425 people participating. In addition, basic information regarding LGBT issues is made available on the company intranet, so that employees can check it whenever they need to.

In coordination with the measures outlined above, we also continue to conduct ALLY* recruiting, and approximately 320 employees made declarations to date (as of December 2019). Employees who make an ALLY declaration are issued with special straps which they are asked to wear.

* ALLY participants are people who may not necessarily be LGBT themselves, but who express understanding and are supportive of LGBT people.

KCMK Group

In 2019, the KCMK Group used e-learning to promote a basic understanding of LGBT issues (for around 8,000 employees). In 2020, there will be a focus on practical application, with preparations underway for providing practical training in dealing with LGBT customers for *Kanebo* and *Sofina* beauty advisors.

Promoting better understanding of disability and promoting the employment of persons with disabilities

We position support for people with disabilities as an important part of our D&I efforts, and have formulated a basic policy of “Striving for a society where people with and without disabilities work and live together, we create workplace environments for employees with disabilities that make life easier for them and foster a sense of pride in one’s work.”

Promoting normalization

- Every year, we administer a questionnaire to employees with disabilities, asking about the current status of their disability and any problems they may be experiencing at work. Based on the answers given, where necessary we coordinate with relevant Kao personnel and provide support to help resolve the employees’ problems.
- We also assign Vocational Life Consultants for Persons with Disabilities to worksites nationwide to conduct consultations for employees with disabilities. We hold an Employees with Disabilities Support Meeting once each year to help the consultants upgrade their skills and strengthen the overall support system for persons with disabilities.
- We prepared a Disabled Person Employment Manual and a Fact Sheet for Understanding Disabilities and distributed them on the intranet to promote mutual understanding among employees with disabilities and their colleagues.
- We introduced UD Talk voice-recognition software to support communication with employees who have hearing impairments.
- For prospective employees with disabilities, we provide information about the support that the company

provides for disabled employees before they join the company, and by confirming in advance what support each employee will need, we help to reduce worry for these employees after they join the company.

- We periodically hold seminars, tours of our special subsidiary, and other events for all employees to increase understanding of disabilities. In 2019, diversity seminars focused on the Paralympics and parasports were held at two locations—Kayabacho and Ehime—with a total of 116 participants.

KCMK Group

The KCMK Group provided training for new employees with disabilities. The training aimed to get new employees thinking about how to communicate with others regarding their disability and the support they needed. It also provided opportunities for practicing this through role-playing activities with senior employees. Trainees also acquired the mindset that was needed to function properly as a working adult, for example by learning effective communication methods, sales techniques and how to build relationships with customers, etc.

Kao (Australia)

Kao (Australia) has formed a partnership with Wallara Australia Ltd., a social enterprise which helps people with disabilities to participate more fully in society. In 2019, the two companies collaborated on the establishment of a new logistics center in Melbourne, which employs people with disabilities. Around 30% of Wallara employees are now working at this logistics center.

At the Leadership Summit of Kao (Australia) that was

held in October 2019, one of the employees working at the logistics center gave a presentation about how working there had boosted the employees’ motivation. Many of the leaders attending the Summit were impressed by the employee’s comments, which they felt had deepened their understanding of diversity.

Measures implemented at special subsidiaries

Kao Peony, a special subsidiary, has actively employed persons with severe disabilities, primarily persons with intellectual disabilities, since 2005, and the production division has achieved the same production volumes as those on lines operated by persons without disabilities. The new Office Support Department that Kao Peony established in 2017 has been working to expand the scope of its business activities and employment. In 2019, Kao Peony took on a number of new tasks, including the digitalization of Kao’s internal newsletter and support for the implementation of Visceral Fat & Lifestyle Checkups, etc.

As of January 2020, a total of 61 employees work at Kao Peony, including 48 with disabilities.



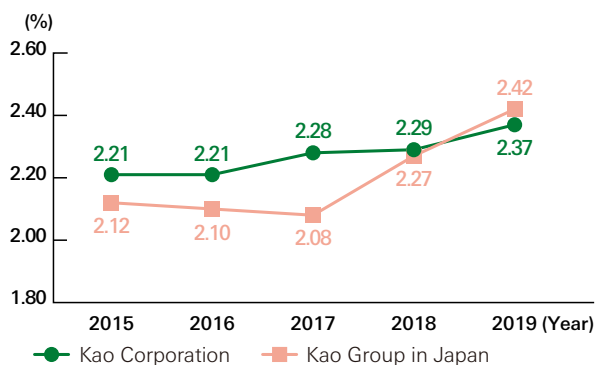
Kao Peony Office Support Department

Inclusive & diverse workplaces 404-2, 405-1

Employment rate of persons with disabilities (Japan)

Currently, persons with disabilities account for 2.42% of the total workforce of the Kao Group in Japan, exceeding the statutory minimum rate of 2.2% (As of June 2019).

Kao Group employment rate of persons with disabilities*



* Scope:

Thirteen domestic affiliates that are required to employ people with disabilities (Kao Corporation, Kao Group Customer Marketing Co., Ltd., Sofina Beauty Counseling Co., Ltd., Kanebo Beauty Counseling Co., Ltd., Kao Field Marketing Co., Ltd., Kao Professional Services Co., Ltd., Kao Sanitary Products Ehime Co., Ltd., Kao Logistics Co., Ltd., Kao Business Associe Co., Ltd., Kanebo Cosmetics Inc., e'quipe, LTD., Kao Cosmetic Products Odawara Co., Ltd. and special subsidiary Kao Peony Co., Ltd.).

Fostering active participation by senior human capital

In an era in which more and more people can expect to live to 100, Japan has been working to build an employment environment that encourages people to work longer, through the amendment of relevant laws etc., with the aim of creating a society in which diverse human talent can remain active for longer. As part of the adjustment of our personnel systems, the Kao Group in Japan has been working to expand the employment system for senior citizens, implementing measures that are focused on the following two key areas.

Expanding the scope for active participation by senior human capital

Since 2016, Kao Corporation has held open recruitment for people aged 55 or over. We are implementing careful matching of human talent with positions, expanding the opportunities for senior citizens to use their experience, specialist expertise and other strengths to include not only positions within our company but also positions at NPOs or NGOs and at intermediary support organizations, etc. In 2018, we set up a dedicated page on our intranet, which is used to disseminate relevant information and provide individual career consultations.

Support for self-directed career development

Kao Corporation organizes three seminars (with voluntary participation) for employees aged 45, 50 and 55 respectively, with the aim of getting employees to think about “What kind of lifestyle, and what kind of working style, do I want to have in the future?” from both life planning and financial planning

perspectives. These seminars are implemented in conjunction with a career consultation interview at the age of 55, to provide the support that older employees need in order to change their mindset and behavior to be ready for the future, and so that they will be aware in advance of the things they will need to learn and preparations they will need to make. Kao Group Customer Marketing Co., Ltd. and Kanebo Cosmetics Inc. also implement seminars and interviews, and we are aiming to roll out these activities throughout the group.

In the future, we will continue to expand the range of working styles available to older employees, and we will be working to expand the range of opportunities—both within and outside the company—for senior employees to utilize the experience and specialist expertise that they have accumulated at Kao to remain active and make positive contribution.



Kao Corporation's 50+ Career Seminar

Realization of diversified work styles

With the aim of making it possible for diverse employees to maximize their potential in different workplaces, we are undertaking efforts to develop environments and personnel systems that will improve workplaces and facilitate more flexible work styles.

We believe that it is important to cultivate a corporate culture where employees can make full use of the current personnel systems, and we are disseminating information and conducting training and various other programs to that end.

Systems to realize diversified work styles

The Kao Group in Japan is implementing measures to increase work-related time and location options and facilitate diversity in work styles. The systems that we have adopted include a flextime system (with no required core hours) and a working-from-home system.



→ p. 172 Main systems for supporting diversified work styles (Kao Corporation)

Starting from this year, staff at several worksites, including our Kayabacho head office, will be permitted to wear casual business clothing all year round, as we strive to create an atmosphere in which people can work in a way that feels natural to them.

Proactive utilization of ICT tools, starting with Kao Corporation's Enterprise Information Solutions

At our Enterprise Information Solutions, for meetings where the content needs to be shared with every member of the division, Microsoft Teams workplace chat software is used for relaying and recording the meetings. In this way, employees can take part in the meeting from home or while away on business trips, and employees who are unable to participate at all can view the recording content at a later date. This system also facilitates thorough sharing of the topics to be addressed at each meeting in advance, reduces the amount of time needed for meetings, and allows employees to take part in only that part of the meeting that is relevant to them. In this way, we aim to enable individual employees to use their time more efficiently. The scope of this initiative is being expanded through sharing of meeting content on our company intranet, etc., with other departments also being able to make use of video-conferencing and workplace chat functions.

We are also working to improve our information and communications technology (ICT) environment so that employees can connect to each other and utilize information systems wherever they are, by

further strengthening our document server usage environment and security measures.

Encouraging employees to take vacation time

Since 2018, we have continued to implement activities aimed at achieving the following targets: 80% or higher average vacation time usage rate for the Kao Group in Japan; 50% or higher minimum usage rate for individual employees. Each individual worksite and office is continuing its efforts to raise the vacation time usage rate, for example by designating particular days as Vacation Time Usage Promotion Days and organizing Anniversary Leave systems.

In addition, in April 2019 a change in the law made it obligatory for companies to arrange annual paid vacation periods. In response, we are encouraging employees to take five days of planned paid leave on an annual basis, with employees who do not take such leave receiving individual reminders to do so.

Support for balancing work and childcare or family care responsibilities

Seminars for employees returning from childcare leave (Tatsuno-oshigoto Seminars)

Each year, we conduct seminars for employees who are about to return to work from childcare leave (Tatsuno-oshigoto Seminars) at Kao group companies in Japan. The seminars present a concrete image of life after returning to work and help employees prepare their attitudes and raise their awareness regarding reinstatement.

Employees of Kanebo Cosmetics Inc. and other group companies can attend the seminars held at our Kayabacho head office, and these seminars are also relayed throughout Japan so that employees at all worksites can benefit from them.

Kao Corporation is also encouraging employee's partners to participate in the training with the aim of building cooperative relationships with partners in home life and career development.

In 2019, more than 80% of the employees attending these seminars were accompanied by their partners. In order to provide an environment conducive to participation by employees' partners, we arrange childcare facilities that can be used during the seminar. We will continue with these initiatives in the future, working to provide support so that more employees can realize an appropriate work-life balance together with their family members.

In the KCMK Group, these seminars place particular emphasis on raising motivation, and they include a message from the president as well as talks by female employees who already have experience of returning to work after taking childcare leave and by managers who are supervising employees who have returned to work after childcare leave. In 2019, the seminars were held on weekdays, with the aim of fostering greater understanding among both supervisors and partners and of getting employees back into the mindset of returning

to work. We also encouraged supervisors to participate actively in the seminars. In 2020, besides encouraging male employees and supervisors to participate, we also intend to roll out these seminars throughout all branches in Japan.



Kao Corporation Seminars for Employees Returning from Childcare Leave (Tatsuno-oshigoto Seminars) in 2019

F&M (Fathers & Mothers) Meetings

Kao Corporation and other group companies in Japan hold a variety of events aimed at bringing together employees who are currently, or plan to be, engaged in providing childcare, so that they can share information and communicate with one another regarding the best ways to achieve a proper work-life balance. With F&M (Fathers & Mothers) Lunch Meetings at which employees can exchange views about various pre-set topics, Senior Employee Mentoring Seminars at which employees' direct superiors discuss their own experience of balancing work and childcare responsibilities, and seminars given by external experts, we are holding these activities on an ongoing basis with different targets and in different formats. Over the past few years, there has been a steady increase in the number of male employees taking part in these events, and the level of satisfaction expressed by participants has risen, with comments such as "We were able to listen to frank opinions expressed by working mothers and fathers."

External evaluation of childcare support measures Awarding of Platinum Kurumin certification and Kurumin certification

In 2016, Kao Corporation was awarded Platinum Kurumin certification for creating a supportive workplace for employees with children, in accordance with the provisions of the Act for Measures to Support the Development of the Next Generation. Kanebo Cosmetics Inc. and Kao Group Customer Marketing Co., Ltd. (KCMK) were awarded Kurumin certification in 2009 and 2011 respectively. In 2019, Kao Transport & Logistics Co., Ltd. was also awarded Kurumin certification.



Awarding of "Yamagata Child Care and Nursing Care Support Lively Companies" certification from Yamagata Prefectural Government

In 2019, both Kao Corporation's Sakata Plant and the Yamagata Office of the Tohoku Branch of Kao Group Customer Marketing Co., Ltd. (KCMK) were awarded Diamond level certification as a Yamagata Child Care and Nursing Care Support Lively Companies certification. This certification is awarded to those business enterprises, among firms that have implemented measures to foster women's advancement and support the maintenance of work-life balance (particularly in relation to child care and nursing care) that meet certain criteria specified by Yamagata Prefectural Government. While there are three levels of certification, depending on the measures implemented, both of the recipient companies were awarded Diamond certification, the highest level, on this occasion.



Family care support measures

In accordance with our fundamental policies of enabling each individual to act independently and providing assistance based on a spirit of mutual support, we are taking measures to educate employees and to promote mutual understanding in the workplace with the aim of preventing employees from leaving work the cause of family care obligations. In 2019, internal seminars were held on topics including the provision of care for persons suffering from dementia, etc., with a total of 225 people participating. We also undertake the provision of information—including introduction of family care handbooks—and provided consultation services where appropriate.

Main support for balancing work and childcare responsibilities

- Distributing a leaflet with information on systems that support the life-work balance targeting male employees
- Conducting pre- and post-childcare leave interviews
- Encouraging communication between employees on leave and their workplace supervisors using childcare leave reports
- Holding seminars for employees returning from childcare leave (Tatsuno-oshigoto Seminars)
- Provision of an on-site day care facility (*Merries Garden*)
- Holding of F&M (Father & Mother) Meetings (discussion meetings and seminars, etc. for employees who are working mothers and fathers)
- e-learning for managers (“Work and Life Balance Management”)

Main support for balancing work and family care responsibilities

- Holding family care seminars
- Provision of family care handbooks
- Reinforcement of family care consultation skills by human resources personnel
- Establishment of an external family care consultation service

General work-life balance measures

- Individual guidance before using leave systems
- Encouraging employees to make full use of relevant allowances and services
- Provision of the Work and Life Balance Guidebook

Collaboration with stakeholders

In 2010, we signed the Women’s Empowerment Principles, which are international guidelines for women’s participation in society based on UN Women and the UN Global Compact.

Main case study presentations in 2019

- Kao Corporation President & CEO Michitaka Sawada has signed a declaration confirming Kao’s support for the 30% Club, a campaign to raise the share of female executive officers at major companies to at least 30%, and for the Declaration on Action by a Group of Male Leaders who Will Create a Society in Which Women Shine, an initiative organized by the Gender Equality Bureau of the Cabinet Office.
- Kao Corporation President & CEO Michitaka Sawada signed Kao’s declaration of support for the approach and initiatives of The Valuable 500, an international initiative established to get companies playing a leading role in building an environment in which people with disabilities can participate actively in business, society, and the economy in general, etc.



- p. 166 Our initiatives: Promoting better understanding of disability and promoting the employment of persons with disabilities
- p. 50 Universal product design

- Kao Peony Co., Ltd., our special subsidiary, has been providing support to help people with disabilities secure employment, including proactively arranging workplace visits and workplace training opportunities for students from

special needs schools.

- The division of Kao Corporation “Business Planning & Management, ESG Promotion” have collaborated with Kao Peony Co., Ltd., our special subsidiary, on holding hand washing classes for children and students with intellectual disabilities, with Kao Peony employees providing support for class implementation.



→ Corporate citizenship activities: Education for the next-generation through providing education in the classroom and educational materials
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=77

We have given corporate case study presentations for government agencies and other organizations, with the aim of contributing to the promotion of D&I throughout society.

- Gave a case study presentation at the Japan Association of Technology Executives (JAOTEX) on the measures that we have taken for promoting women’s advancement in the workplace.
- Our case study for family care support measures is posted on the website of the Ministry of Health, Labour and Welfare (MHLW).
- Appeared at a lecture held by the Shikoku Productivity Center and reported on our family care support measures.

Inclusive & diverse workplaces

Topic External Evaluation

Kao was selected for inclusion in the 2019 Bloomberg Gender-Equality Index

In January 2019, Kao was selected for inclusion in the Bloomberg Gender-Equality Index (GEI). The GEI identifies companies that are committed to transparency in gender reporting and to advancing equality for women in the workplace. In 2019, a total of 230 companies were selected for inclusion in the GEI, of which 14 were Japanese companies.



Kao was selected by the Ministry of Economy, Trade and Industry (METI) as a Semi-Nadeshiko Brand

In March 2019, Kao was selected for the Semi-Nadeshiko Brand list as a company that has made outstanding achievements in advancing women's participation in the workplace. Semi-Nadeshiko Brands are companies whose performance was almost up to Nadeshiko Brand standard. A total of 22 companies, from all industries, were selected for inclusion in the list. Kao was recognized for undertaking evaluations and employment based on enthusiasm and ability, regardless of gender, and for developing systems that facilitate diverse work styles.



Kao ranked first in Nikkei Woman's list of the 100 Best Companies Where Women Actively Take Part

In May 2019, it was announced that Kao was ranked first overall (out of 538 companies) in the list of the 100 Best Companies Where Women Play an Actively Take Part compiled by Nikkei Woman magazine and the Nikkei Womenomics Project. Kao also ranked first in the Diversity Workstyle Promotion section. The rankings are based on a survey of the state of women's participation in each company from the two perspectives of how

female workers are motivated and how they are treated and/or appointed. The rankings are compiled based on four indicators: promotion to managerial positions, active use of women's ability, work-life balance, and diverse workstyle promotion.

Kao received the Prime Minister's Award for Leading Companies Where Women Shine from the Cabinet Office of Japan

In December 2019, Kao received the 2019 Prime Minister's Award for Leading Companies Where Women Shine, in recognition of our efforts in building a workplace environment conducive to women's advancement and in relation to disclosure of information regarding related measures and performance.

Kao was praised for its analysis of organization-specific issues and implementation of measures to address these issues, the way it encouraged employees' partners to attend seminars for employees returning from childcare leave, and its proactive approach to publicizing these measures outside the company.



Awards ceremony

Main systems for supporting diversified work styles (Kao Corporation)

Main systems	Content	
	Childcare related	Nursing care and family care related
Leave	In principle, childcare leave can be taken until the first April 30 following the child's first birthday. Paid leave is provided for the first five days after the commencement of childcare leave.	Nursing care and family care leave can be taken for a maximum period of one year. During the period in which nursing care and family care leave is permitted, such leave can be taken in a maximum of three blocks of time.
Reduced working hours and staggered working hours	These are available until the child completes the third grade of elementary school. Either specified working hours can be reduced by up to two hours per day, or the specified time for starting work or finishing work can be adjusted.	Along with flexible working hours, this system can be utilized for a period of up to three years. Alternatively, this benefit can be taken in up to two blocks of time within the three-year period. Either specified working hours can be reduced by up to two hours per day, or the specified time for starting work or finishing work can be adjusted.
Flexible working hours	In principle, this can be implemented, on the request of the company, until the first April 30 following the child's first birthday. Employees can either work three days a week, or work a half day five days a week.	Along with reduced working hours and staggered working hours, this system can be utilized for a period of up to three years. Alternatively, this benefit can be taken in up to two blocks of time within the three-year period. Employees can either work three days a week, or work a half day five days a week.
Restriction on extra working hours	Up until the first April 30 following the child's enrollment in elementary school as a first grader, the employee can request either limits or exemption to perform work outside normal working hours, work on holidays, or work late at night.	Employees who have family members requiring nursing care or family care for a period of more than two weeks can request either limits or exemption to perform work outside normal working hours, work on holidays, or work late at night either.
Special leave for nursing care and family care	Special leave is available for employees who need to fulfill nursing care or family care responsibilities (up to a maximum of either 40 days a year or 20 days a year).	Special leave is available for employees who need to fulfill nursing care or family care responsibilities (up to a maximum of either 40 days a year or 20 days a year). This leave can be taken in increments of either one day, half a day, or one hour.

Main systems	Content	
	In common	
Flextime system	With the exception of some shift workers, flextime is applied to all employees, regardless of grounds. There is no required core time period. The times for the start of work and end of work are set within a flextime range of 07:00-20:00. Settlement periods have been set at one-month units.	
Working-from-home system	With the exception of some shift workers, the working-from-home system is applicable to all employees. Grounds for applying to work from home include the need to provide family care or nursing care, the need to provide childcare (for children up to age of completion of the third grade in elementary school), the need to receive medical treatment for injury or illness, or operational requirements. Working-from-home can be performed in the employee's own residence, in the home of the person for whom the employee is providing family care or nursing care, or in the residence of an employee posted away from their family. Working-from-home can be utilized up to twice per week, and employees can choose either to work at home for an entire day or for only part of the day.	
Ability to take annual paid leave in hourly increments	Annual paid leave can be taken in hourly increments up to a maximum of five day-equivalents within any one-year period, regardless of the reason.	
Family leave for overseas assignments	Where an employee's spouse is on an overseas assignment and the employee wishes to accompany the spouse, a period of leave of at least one year and no more than two years can be taken.	
Special leave for personal injury or sickness	Special leave is available for employees who incurred a personal injury or sickness (up to a maximum of either 40 days a year or 20 days a year). In principle, this is available for periods of leave of at least 8 days.	
Special leave for volunteering activities	Special leave is available for employees who participate in volunteering activities approved by the company (up to a maximum of 5 days a year). This leave can be taken in increments of either one day or half a day.	
Refreshment leave	This leave is granted to employees who have completed 10, 20, 30 or 40 years of service with the company (up to a maximum of 5 days a year).	

Inclusive & diverse workplaces 102-8, 401-1, 405-1

Number of Kao Group employees in 2019 (regular employees)

	2019
Total (persons)	33,603
Male (persons)	16,946
Female (persons)	16,657
Female employees as percentage of total (%)	49.6
Japan	22,101
Male (persons)	10,809
Female (persons)	11,292
Female employees as percentage of total (%)	51.1
Asia and Oceania (excluding Japan)	7,170
Male (persons)	3,900
Female (persons)	3,270
Female employees as percentage of total (%)	45.6
Europe and the Americas	4,332
Male (persons)	2,237
Female (persons)	2,095
Female employees as percentage of total (%)	48.4

Status of regular employees (Kao Corporation)

	2015	2016	2017	2018	2019
Regular employees (persons)	6,970	7,195	7,332	7,655	7,905
Male	5,414	5,568	5,631	5,831	5,979
Female	1,556	1,627	1,701	1,824	1,926
Female employee ratio as percentage of total (%)	22.3	22.6	23.2	23.8	24.4
Female manager ratio as percentage of total (%)	8.7	14.0	15.5	16.8	18.2
Female managers (persons)	90	336	381	432	479
Female executive officers ratio as percentage of total (%)	8.8	8.8	8.6	5.7	8.3
Female executive officers (persons)	3	3	3	2	3
Average age (years)	41.7	41.2	41.0	41.8	40.6
Male	42.6	42.0	41.7	42.6	41.2
Female	38.6	38.5	38.6	39.4	38.8
Average length of employment (years)	18.5	18.3	17.4	17.8	17.7
Male	19.8	19.4	18.4	19.2	18.7
Female	14.1	14.5	13.9	13.5	14.6
Number of recent graduates hired (persons)	264	283	269	304	306
Male	195	214	196	214	218
Female	69	69	73	90	88
Employee turnover (%)	0.7	0.5	0.6	0.7	0.9

* Company officers include executive officers.

Status of female employees in the Kao Group

		2015	2016	2017	2018	2019
Female employees						
Global	Percentage (%)	52.5	49.2	49.4	49.8	49.6
	No. of employees (persons)	17,340	16,332	16,590	16,748	16,657
Japan	Percentage (%)	54.8	50.6	51.3	51.4	51.1
	No. of employees (persons)	12,120	11,130	11,399	11,464	11,292
Female managers						
Global	Percentage (%)	27.5	25.4	25.1	27.3	29.4
	No. of employees (persons)	1,301	1,700	1,618	1,799	1,991
Japan	Percentage (%)	10.4	13.1	14.6	18.4	21.2
	No. of employees (persons)	335	573	648	847	1,006
Female executive officers						
Global	Percentage (%)	6.5	6.7	7.7	8.0	8.0
	No. of employees (persons)	11	11	14	16	16
Japan	Percentage (%)	3.1	4.1	4.5	6.0	5.7
	No. of employees (persons)	4	5	6	10	10

* Company officers include executive officers.

Number of persons re-employed after retirement (Kao Corporation)

	2015	2016	2017	2018	2019
Number of employees who reached retirement age*	125	104	93	109	129
Of which, Number of employees re-employed after retirement	94	86	73	92	110
Percentage	75.2	82.3	78.5	84.4	85.3

* Number of employees who reached retirement age = Number of retired employees + Number of reemployment after retirement

Inclusive & diverse workplaces 401-3

Employment system utilization status (Kao Corporation)

Employment system	2017	2018	2019	Unit
Average hours worked outside regular working hours (per month)	19.5	18.7	17.7	(Hours)
Average days of paid leave taken	13.7	15.1	14.4	(Days)
Average paid leave utilization rate	72.8	78.8	74.6	(%)
Average hours of leave taken in hourly increments	1.73	3.30	2.98	(Hours)
No. of employees taking childcare leave (male)	101	124	115	(Persons)
No. of employees taking childcare leave (female)	90	113	84	(Persons)
No. of employees taking reduced working hours or staggered working hours to meet childcare responsibilities (male)	11	12	1	(Persons)
No. of employees taking reduced working hours or staggered working hours to meet childcare responsibilities (female)	85	102	122	(Persons)
No. of employees taking nursing care or family care leave (male)	2	2	0	(Persons)
No. of employees taking nursing care or family care leave (female)	2	2	2	(Persons)
No. of employees taking reduced working hours or staggered working hours to meet nursing care or family care responsibilities (male)	1	1	0	(Persons)
No. of employees taking reduced working hours or staggered working hours to meet nursing care or family care responsibilities (female)	0	0	0	(Persons)
No. of employees taking family leave for overseas assignments (male)	0	0	0	(Persons)
No. of employees taking family leave for overseas assignments (female)	6	8	8	(Persons)
Average number of days of special leave for volunteering activities taken	0.9	1.9	1.0	(Days)
Total number of employees taking special leave for volunteering activities	7	9	30	(Persons)
No. of employees utilizing the working-from-home system	—	308	584	(Persons)

Efforts involving employee wellbeing and safety are essential to ensure that we carry out our basic activities as well as to accomplish initiatives that will bring about social transformation.

The abilities of highly skilled and motivated employees are needed to conduct innovative activities.

Employee wellbeing

Kao's creating value to address social issues

Social issues we are aware of

With the global trend toward the aging of the population, there has been an increase in the percentage of people affected by chronic diseases. Many senior citizens require support or care because of disease or deterioration of joints or muscles. Within Japan, there has been a steady rise in medical expenses because of this situation, and the financial health of companies' health insurance societies has rapidly worsened.

With the raising of the statutory retirement age, the introduction of re-employment systems for older workers, and the growth in the number of working women, etc., a situation has emerged where approximately 30% of cancer patients are of working age. It is anticipated that cases of workers performing their jobs while struggling with disease will further increase in the future.

Besides disease prevention, early diagnosis and treatment, there is a growing focus on the need to provide support so that workers with health issues can balance treatment with their work responsibilities.

Kao's creating value

At Kao, we implement initiatives to support the health

of employees and their families in cooperation with the Kao Health Insurance Society. We aim to improve our corporate activities by helping to increase the number of healthy employees and family members, and by creating lively and spirited workplaces.

We continue to endeavor to limit excessive increases in medical expenses through preventive initiatives including the promotion of lifestyle improvements and active implementation of various health guidance measures. We are focusing our efforts on the control of long working hours through promotion of modulated work styles and mental health training for managers from the perspective of promoting pleasant workplaces.

With respect to employees suffering from chronic disease, or from cancer or other diseases, in order to help these employees maintain the right balance between managing their health issues and their work responsibilities, we offer support which, rather than being "one size fits all," is carefully tailored to the actual circumstances of each individual employee.

Risks related to realization of our vision by 2030

The increase in the average age of employees brings with it a heightened risk of a rise in the number of employees affected by lifestyle diseases and also by diseases such as cancer and musculoskeletal disorders.

Opportunities related to realization of our vision by 2030

Programs for health maintenance and promotion of Kao employees are also made available for external use, and are being deployed for health maintenance and promotion activities in local communities and in workplaces. We hope that the initiatives at Kao will have a positive influence on local communities and society as a whole, and contribute to increased lifespans and a healthier society.

Contributions to the SDGs



Policies

The Kao Health Declaration

To spend every day in lively good health

We aim to become a company which inspires
engagement with the promotion of healthy bodies
and minds alongside our customers
while helping to realize healthy and enriched lives
through the creation of lively and spirited workplaces

Cultivation of employees with high health literacy

We are working to make our health promotion activities more visible, engaging in Health and Productivity Management using the PDCA cycle to increase employee health, with the aim of increasing the number of employees with high health literacy.

We consider employees with high health literacy as the following employees:

1. Reviews and improves lifestyle independently, based on health check-up results.
2. Consults with private physicians in regard to health check-up results as needed rather than just consulting occupational physicians.
3. Maintains awareness of their mental health, and confers with appropriate professionals as needed.

Five health promotion initiatives

Rather than merely fulfilling the minimum requirements for health management that we are required to meet as a company, we implement health promotion in line with the five core themes below. Health promotion refers to the independent maintenance and improvement of employee's own health.

1. Lifestyle diseases
2. Mental health care
3. Smoking cessation
4. Cancer
5. Women's health

Education and promotion

The Kao Group Health Declaration is distributed to all employees with announcements on Health and Productivity Management also being disseminated. These include President-issued directives for: "Promotion of health and productivity management in Kao as a whole, with employee health as the foundation for growth for Kao," as well as "The President will set and put into practice health targets." Individual employees are encouraged to set their health targets for the year and put these into practice.

Various on-site campaigns, seminars and health promotion activities are deployed in line with the five core initiatives.

Collaboration and engagement with stakeholders

The effective health services developed at Kao are also made available to workplaces other than Kao, as well as to local communities. These are being put to use in tackling social health challenges such as metabolic syndrome and locomotive syndrome. We are also furthering joint research with external bodies.

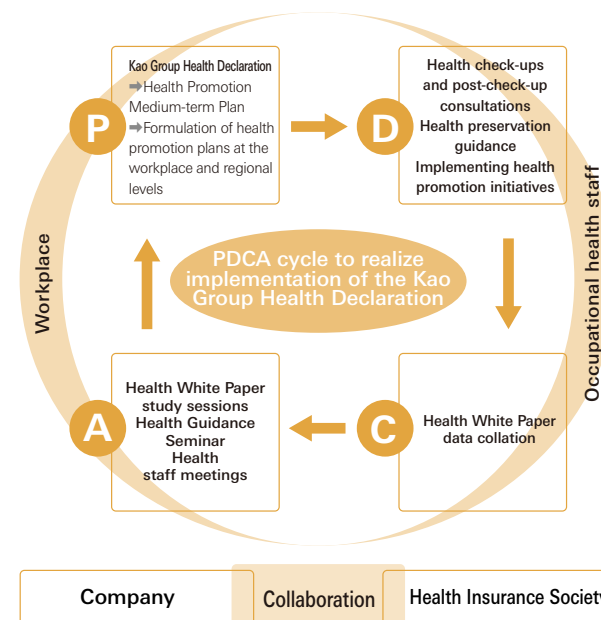
Framework

Increase the visibility of the Health Promotion Management System as part of this initiative to increase visibility, we have, since 2009, provided 18 health consultation rooms nationwide with a statistical summary of health data not specified individually (medical interviews, health check-ups, occupations, diseases, etc.).

Each health consultation room then drafts and implements a health services plan based on the health data for their respective regions.

Since 2009, we have held annual White Paper on Health Seminars so that employees in charge of Human resource and General Affairs and occupational health nurses can learn together methods of analyzing the various types of health data and of formulating measures.

Health Promotion Management System

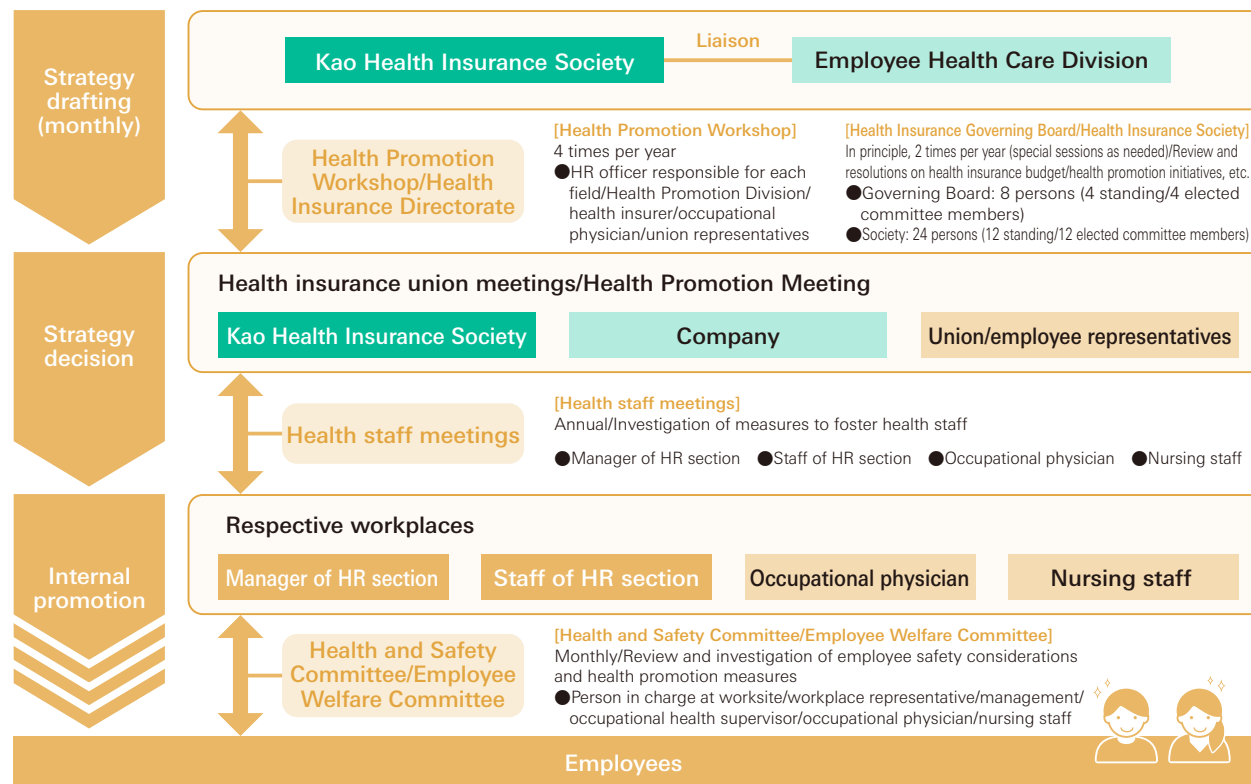


Employee wellbeing & safety 103-2, 103-3, 403-6 (Occupational health and safety 2018)

Systematization of the health promotion framework

Health promotion strategy planning is implemented in an integrated manner between Kao and the Health Insurance Society, with discussions conducted in regular monthly meetings. Major strategies are finalized at a company-wide Health Promotion Committee meeting after consideration by working groups and, the committee members of the Kao Health Insurance Society with employee representatives. The promotional strategy is implemented at each worksite and group company by the manager and staff of the HR section along with occupational physicians and nursing staff.

Health promotion framework

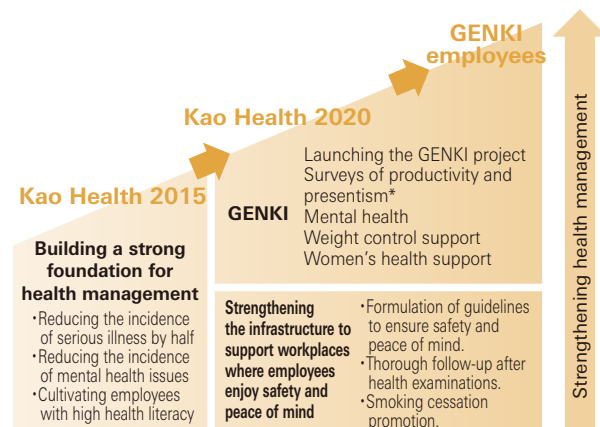


Mid- to long-term targets and performance

Mid- to long-term targets (Kao Health 2020)

In 2017, we formulated the Kao Health 2020 mid-term health-related plan. This plan aims to cultivate GENKI (Healthy) employees by further enhancing health management.

Kao Health 2020



Aiming to achieve a further enhancement of health management by cultivating healthy employees who are capable of leading change, and strengthening the infrastructure to support workplaces where employees enjoy safety and peace of mind

* Presentism
Coming to work while sick or ill, and having reduced working competency and productivity as a result.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

- Prevention of manpower loss due to decreases in long-term absenteeism.
- Reduction in costs of specific health guidance due to decrease in numbers of employees receiving specific health guidance.
- Enhanced productivity from increase in highly motivated employees.

Social impacts

- Enhanced productivity and provision of improved products and services to society.
- Provision of exemplary case studies in promotion of health management to society.
- Reduction of the social welfare burden on the country as a whole and on individual communities through the health of the families of Kao employees.

Performance in 2019*

Employee health promotion status

Item	2019 Performance
Percentage of employees undergoing periodic health examinations	100%
Percentage of employees who underwent follow-up examinations	94.8%
Percentage of employees who eat breakfast at least three times a week	Male 77.1%, Female 76.1%
Percentage of employees who exercise at least once a week	Male 57.6%, Female 36.5%
Percentage of employees who get adequate sleep	Male 63.0%, Female 61.9%
Percentage of employees who do not smoke	Male 72.6%, Female 81.6%
Percentage of employees who are at risk of developing metabolic syndrome (35 and older)	Male 32.4%, Female 7.4%
Percentage of employees receiving specific health guidance (employees aged 40 or over)	Male 18.8%, Female 7.9%
Specific health guidance implementation rate (employees aged 40 or over)	72.2%

* People meeting the criteria to receive specific health guidance and the rate of providing specific health guidance apply to the provision of specific health guidance to persons meeting the criteria to receive health examinations in FY2018.

Our initiatives

Launching the GENKI project

We are promoting the GENKI project to help employees and their family members stay healthy, as part of the implementation of our Mid-term Plan 2020 (K20). GENKI involves the provision of health management solutions that make effective use of the group's healthcare know how, technologies, and products to our employees and their families.

GENKI-Action

In our Human Health Care Business, we have for many years now been undertaking research on areas such as the relationship between visceral fat and lifestyle and the relationship between walking and health. The knowledge obtained from this research is utilized not only in the development of new products, but also to improve the health of our employees and their families through our health promotion programs. We call this unique approach to health promotion "Kao GENKI-Action." What makes Kao GENKI-Action special is the way it realizes visualization of health status and lifestyle habits, which helps to boost health awareness and encourages people to make effective improvements through lifestyle changes. In order for people to achieve a health-conducive lifestyle without it being too stressful, and so that they can keep it up over the long term and enjoy doing it, we provide support for building a healthy environment, and offer assistance through our company's products.

We also use the GENKI-WEB website as a platform for Kao GENKI-Action implementation. People can use GENKI-WEB to keep a record of their lifestyle changes, and it is also used for implementing health-related special events, etc.

GENKI-Action

Visualization (Awareness)

Measurement and analysis of visceral fat and lifestyle habits

～内臓脂肪をマーカーとした～
生活習慣測定会

内臓脂肪ラボ
NAiBO®



- Using unique visceral fat measurement technology and lifestyle analysis algorithms, we hold measurement sessions at worksites throughout Japan.
- We are able to visualize the issues affecting individual employees and individual worksites.
- Health promotion achievements can be realized through changes in visceral fat levels.

Using Kao products to help people maintain lifestyle changes



We are helping people to continue with health-conscious lifestyles through the gifting of and use of Kao products.



Effective improvement through lifestyle

Building a healthy eating environment in which people can enjoy delicious food without accumulating high levels of visceral fat

スマート和食



- We provide our unique Smart WASHOKU® lunches, which allow people to eat well without increasing their visceral fat levels, at employee cafeterias in 11 worksites throughout Japan.
- We also hold special lunch seminars, and Smart WASHOKU® cooking classes in which employees can participate with their families.

Building an environment which encourages walking together joyfully and effectively

毎日歩いて歩行生活力をチェック
ホコタッチ



- We have distributed unique HocoTouch pedometers, which enable employees to work out their "walking age" based on how far they have walked youthfully in a given day.
- HocoTouch stimulates communication among employees, who are eager to ask each other "What is your walking age today?"
- We have also launched walking "competitions" for the staff at our factories and sales offices.

* NaiBO®, Smart WASHOKU® and HocoTouch are registered trademarks of Kao Corporation.

Employee wellbeing & safety 403-6 (Occupational health and safety 2018)

“Kao GENKI Project for Everyone” on the Kao PLAZA website

The health promotion activities that we have developed for Kao employees and their family members are widely shared with society through the “Kao GENKI Project for Everyone” section of the Kao PLAZA website, which we use to communicate with our customers.



→ “Kao GENKI Project for Everyone”
webmember.kao.com/jp/kaoplaza/contents/genki/
(Japanese)

Events and activities

Smart WASHOKU®

Smart WASHOKU® is a dietary method developed by us for eating well without increasing visceral fat levels. Rather than focusing on the overall quantity of food consumed, the Smart WASHOKU® approach emphasizes three key points—(1) the ratio of protein to fat, (2) the ratio of dietary fiber to sugar, (3) the ratio of Omega 3 to fat—to provide a diet that enables people to consume plenty of amount while still keeping their visceral fat level down.

- Smart WASHOKU® Lunch has been provided as a lunch menu at employee cafeterias at 11 worksites in Japan, and awareness of it among employees has increased to 52.8%.
- We have begun providing Smart WASHOKU® Breakfast at our Kayabacho Office in Tokyo.
- Occupational physicians and nursing staff have been attending Smart WASHOKU® master-classes for professionals. A total of 60 personnel have received Smart WASHOKU® Master certification, and are providing healthcare guidance and health education for our employees.
- We are providing our employees with Smart WASHOKU® booklets for dietary education. Activities will be implemented so that our employees can also learn about the Smart WASHOKU® approach.
- We are using the “Golden Shape Up (Comparison) Recipe Book” (published by Bungeishunju Ltd.) in dietary education for our employees.
- Smart WASHOKU® seminars have been held at 26 worksites and branch offices. A total of 2,420 employees took part in these seminars (at some seminars, employees also received a Smart



Smart WASHOKU® cooking class

WASHOKU® *bento* boxed lunch).

- We held Smart WASHOKU® cooking classes for families at 14 locations of ABC Cooking Studio (administered by ABC Cooking Studio Co., Ltd.). There were a total of 378 participants (employees and their family members).

Visceral Fat & Lifestyle Check-ups

Visceral Fat & Lifestyle Check-ups help employees to find out how much visceral fat they have, which in turn can help them to make improvements to their lifestyle in the future.

- Visceral Fat & Lifestyle Check-ups were held at 30 work sites, branch offices, and stores in Japan, with 2,300 participants.

HocoTouch Pedometer Gait Measurement

We hold Gait Measurement at which analysis of how employees walk makes it possible to gauge their “walking age” and their future living functions risk. We also rent out HocoTouch pedometer device, a unique device developed by Kao, which can stimulate improvements in daily living habits.

- Gait Measurements were held at six Kao workplaces. 500 people took part in the gait testing.
- HocoTouch devices were rented out for use at 67 spot locations by 8,200 personnel. 57% continued to use the devices, of which 66% achieved Rank A walking steps and speeds over one day or more.

Health-related events using *Healthya*

We are working to encourage wider participation in sports- and health-related events at workplaces in Japan. Event participants are presented with a free bottle of *Healthya*. We also held a program to help employees get healthy using *Healthya* called the Challenge *Healthya* Program at three of our worksites.

- 394 participants in the event.

WAKU-Work GENKI Workshop

This program involves getting employees to think up ideas for to help make both the company and themselves GENKI (healthy). These ideas are shared at the employee cafeteria, and we make effective use of the ideas when planning future health promotion strategies.

Employee wellbeing & safety 403-6 (Occupational health and safety 2018)

Campaigns and promotional activities

We implement company-wide health-related campaigns aimed at fostering the development of a healthy workplace ethos.

Weight-loss challenge

This campaign encouraged employees to try to lose 2kg in weight over the 42-day period between February 1 and March 14 (except employees with a BMI of less than 19).

- A total of 1,900 employees took part (representing a participation rate of 8.8%), of which 520 (27.4% of participants) succeeded in losing at least 2kg. The combined total of visceral fat lost by all participants was 1,716.4kg.

Walking Challenge

This campaign encouraged employees to walk every day and drink a bottle of our *Healthya* every day over the 61-day period between October 1 and November 30.

- A total of 2,954 people took part (representing a participation rate of 11.2%).
- Of the 951 survey respondents, the percentage who reported that they had gotten into the habit of walking was 83%, the percentage who reported that they enjoyed participating in the activity was 80%, and the percentage who reported that participating in the event helped to enrich their working or personal life was 47%.



Toyosu Walking Challenge

Pre-examination weight-loss challenge (for employees who received specific health guidance in 2018, and those on a waiting list for specific health guidance)

This campaign encouraged employees to try to lose weight over a 42-day period 2 months prior to their annual health examination.

- This has been implemented 6 times, with 645 participants, of which 214 (33.2%) lost at least 2kg in weight.
- Employees were able to have fun losing weight while drinking *Healthya*, making use of Smart WASHOKU® e-learning resources and chrono-nutrition knowledge.

Women's health support

Besides establishing women's consultation service, we also disseminate information relating to women's health issues, and hold health seminars for women.

- Distributed the SUKOYAKA Women's News bulletin in January, April, July and October.
- Occupational physicians provided health consultation tailored to women at the Women's Health Consultation Service.



Women's health seminars

Survey on productivity and presentism and analysis of basic health data

We have followed up on the factors leading to presenteeism that can bring negative impacts on productivity and are considering appropriate response strategies.

By analyzing employees' life rhythms based on physical activity patterns obtained from HocoTouch, and by analyzing these in combination with medical interview results and stress check results, we are working on clarifying the relationship between presenteeism and sleep issues or poor mental health, which may affect daytime performance. Abnormalities in individuals' life rhythms can be discovered at an early stage, and an activity level feedback report is used to notify the individual employee.

Mental health care

By 2019, our system for implementing statutory stress checks for employees in Japan had been in use for four years. We have made effective use of stress check results to proactively implement mental health care.

Occupational physicians and nursing staff promptly follow up on employees who are assessed as requiring emergency treatment in light of their responses to these stress tests, and individual follow-up e-mails are sent to employees who are judged to display slightly high stress levels.

As an organization, we also hold briefings based on stress check group analysis at company, department, worksite and branch levels, and we identify workplaces needing priority attention and implement measures to improve the working environment at these sites. For example, in the case of workplaces where a rapid increase in business volume has been accompanied by increased stress, we have performed in-depth analysis to gauge the reasons for the increase in stress besides supporting individual employees, and we have begun to implement measures to improve the organizational structure and the communication methods.

We also aim to enhance the ability of each individual employee to treat their own mental health through training and provision of information. We are continuing to foster a corporate culture in which everyone at Kao, including the colleagues at our individual worksites, acquires the ability to pay attention to small but significant changes that they can make in their own lives, address problems at an early stage, and help each other out in times of difficulty.

In addition, we have overhauled our guidelines for helping to ensure a smooth return to work after long periods of leave, and we are making effective use of them. By implementing activities to help people avoid mental health problems and to address them at an early stage if they do experience them, at the level of both individual employees and the organization as a whole, we are creating workplaces filled with vitality and higher productivity.

Mental health care projects implemented in 2019

Item	Performance in 2019
Stress checks participation ratio	97.7%
High stress rate	1.4% improvement
Training for managers	15 sessions with 676 participants
Self-care training	19 sessions with 2,346 participants
External EAP usage rate (number of usage/number of target employees)	198 telephone consultations + 1,510 e-mail consultations / 710 employees = 6.5%
Consultations with internal counselors (focused on career interviews)	12,514 consultees

Strengthening the infrastructure to support workplaces where employees enjoy safety and peace of mind

Smoking cessation promotion

Since January 2018, we have been promoting prohibition of smoking during work hours.

With complete enforcement of the amended Health Promotion Act in April 2020, we are making a concerted effort—by building consensus with managers and using the company intranet to notify employees—to promote the prohibition of smoking in line with our responsibilities in relation to the prohibition of smoking indoors, and the need to give due consideration to smokers.

- We are helping employees to quit smoking through implementation of the Kao Group Smoking-Cessation Campaign.
In January: A total of 112 employees participated (of which 33 succeeded in stopping smoking).
In October: A total of 93 employees participated (of which 39 succeeded in stopping smoking).
- Kao Health Insurance Society-subsidized smoking cessation treatment was provided for 3 people.
- Online smoking cessation program led by Kao Health Insurance Society implemented.
Online smoking cessation program in spring: 52 employees participated.
Online smoking cessation program in autumn: 33 employees participated.



No smoking during work hour campaign poster

Expansion of health checks for employees working long hours

While we are promoting reductions in long working hours at Kao, some employees still find themselves working long hours during busy periods. To address the fatigue and stress experienced by employees with long working hours, we have undertaken to implement more intensive health checks as detailed below. These will facilitate early detection of symptoms and identification of potential distress signals from such individuals.

Health checks for employees working long hours Performance in 2019

Content	Performance in 2019
Meetings with occupational physicians	Scope: Employees logging over 80 hours work outside normal working hours per month No. of eligible employees: 153. No. of employees attending consultations: 153 (Implementation rate: 100%)
Online health checks (simple diagnostics)	Scope: (1) Employees logging an average of over 80 hours of work outside normal working hours per month over a period of 2 to 6 months No. of eligible employees: 29. No. of employees attending consultations: 29 (Implementation rate: 100%) (2) Employees logging an average of over 60 hours of work outside normal working hours per month over a period of 2 to 6 months No. of employees responding to online medical interviews: 1,136 Of whom, no. of employees deemed eligible by occupational physicians: 185. No. of employees attending consultations: 185 (Implementation rate: 100%)

Company-wide deployment of health promotion activities

Deployment of company-wide health promotion activities

Content	Performance in 2019
42-day Weight-loss Challenge	1,900 participants
Pre-examination Weight-loss Challenge	645 participants
Smoking-Cessation Campaign	205 participants
Healthya Walking Challenge	2,954 participants
Provision of health information by such means as bulletins and posters	Twice a year, reaching around 27,000 people

Deployment of health promotion activities at all worksites (planning of events/seminars/campaigns)

Content	Performance in 2019
Lifestyle disease-related: exercise and nutrition seminars, strength tests, health fairs, lectures by occupational health practitioners, etc.	Held 100 times, with a total of 13,874 participants
Smoking cessation	Held 9 times, with a total of 688 participants
Female: Women's health seminars, change-of-life seminars, etc.	Held 6 times, with a total of 1,861 participants
Mental: Mental health courses, mental health training seminars for beauty advisors, new employees and newly promoted employees	Held 33 times, with a total of 3,022 participants
Health lectures, etc.	Held 24 times, with a total of 11,470 participants

Cultivation of health staff

Annual health staff meetings are held to build consensus with regard to strategies and facilitate sharing of information. Managers and staff of HR sections, along with occupational physicians and nursing staff, attend the meetings.

We implemented White Paper on Health Seminars to provide an opportunity to learn about how to understand health data and the formulation of occupational health plans, as well as holding Health Insurance Instruction Feedback Sessions aimed at improving health instruction by nursing staff.

Collaboration with stakeholders

The health promotion measures and services that we promote within the company are also provided for external stakeholders including consumers.

The influence of Kao's health services on local communities and society as a whole Visceral fat check-ups

We provide visceral fat measurement services and related lifestyle improvement advice in local communities and at workplaces.

- Visceral fat visualization station (visceral fat measurement sessions organized in collaboration with the Japan Obesity Prevention Society) Held 8 times externally, with approximately 2,500 participants.
- Lifestyle diagnostic meetings: External: Held 111 times, with a total of approximately 7,200 participants.

Awareness of Smart WASHOKU®

We have also been working to spread awareness of the Smart WASHOKU® dietary method for eating well without increasing visceral fat.

- Smart WASHOKU® master-classes as workshops for public health nurses, nutritionists and other professionals: Held 8 times externally, with 220 participants.
- Smart WASHOKU® cooking classes at ABC Cooking Studio: Held twice externally (Iwate Prefecture), with 49 participants.
- Serving of Smart WASHOKU® Lunch in other companies' employee cafeterias: Implemented at 5 locations.

Get walking program

As part of a program to create an effective and enjoyable walking environment in workplaces and in local communities, we have been distributing our unique HocoTouch pedometer devices and holding Basic Walking Capabilities Testing Sessions to provide detailed analysis of walking "quality."

- HocoTouch: Held at 80 worksites, with approximately 2,800 external participants.
- Basic Walking Capabilities Testing Sessions: Held 7 times externally, with 620 participants.

Health insurer information exchange with other corporations

We implement information exchange at meetings and seminars hosted by the General Incorporated Payer's Association for Better Healthcare (PAB). This includes identifying and discussing issues relating to health insurance, and the presentation of case studies of improvement efforts. The results achieved through these exchanges of information are presented and reported on at PAB's Annual Conference.

Developing consortium projects focused on senior citizens in collaboration with local government authorities

We are implementing awareness-raising activities targeting people who do not undergo health examinations and people who are at high risk of developing severe medical conditions, through collaborative projects with five health insurers that are working with companies belonging to the Japan Soap and Detergent Association, as part of our health initiatives to connect the promotion of senior citizens' health (focusing on members of the 63–74 age group who are receiving care) with local government authorities.

With the aim of utilizing the knowledge gained from each project across a wide range of areas, we are introducing this knowledge at various symposiums etc., and also considering measures to expand the scope of senior-oriented health initiatives in the General Incorporated Payer's Association for Better Healthcare (25 health insurers of the Study Group on Senior Citizens' Health).

Outcomes achieved through collaboration with five health insurers

- A change in health awareness among senior citizens who do not undergo health examinations by distributing individualized advice sheets (improved by 61%).
- Improvements by preventing existing conditions from becoming severe and by encouraging people to undergo health examinations (78.6% improvement in diet and exercise).
- Rolling out of health promotion programs in collaboration with local government authorities (7 locations).

Joint research with Center of Healthy Aging Innovation (COI), Hirosaki University

We are participating in planning at the Center of Health Aging Innovation (COI), Hirosaki University, located in Aomori Prefecture which has the lowest life expectancy in Japan. We are conducting social implementation examinations for our health services as support for daily health promotion at companies involved with health management.

In 2018, we introduced the Kao walking support systems to the Hirosaki City taxi company Hokusei Kotsu Co., Ltd. The results obtained in this project (an increase in the number of steps walked and an accompanying improvement in the prevention of metabolic syndrome) were presented at the 78th Annual Meeting of the Japanese Society of Public Health in October 2019.

Hirosaki University is currently conducting "social implementation testing" of quality of life (QOL) health examinations (in which the examination results are given to the examinee on the same day, and education is provided to encourage examinees to change their behavior) based on the results of past research in this area. The University is considering adopting our visceral fat measurement and health solutions for this program.

Support for specified fertility treatment

Since 2009, we have been providing support for specified fertility treatment. Initially, financial assistance was provided by the Kao Health Insurance society, but responsibility for this task was transferred to the Kao Family Association (a mutual aid association) in 2013. In 2017, financial assistance for male fertility treatment also became available. In 2019, the scope of applicability, in terms of which Kao Group companies were included, was changed, and this support is available for employees of all Kao Group companies in Japan from 2020.

The total number of employees who made use of this support in 2019 was 135 (all female), which decreased by 42 compared to 2018.

We have also put in place an environment in which employees can seek to maintain an appropriate balance between work responsibilities and treatment, by making effective use of the various flexible working arrangements that we offer (including a flextime system, a working-from-home system, and the ability to take leave in hourly increments).

Content of support for specified fertility treatment

Item	Details
Scope	Employees and their spouses/partners (If both partners are Kao employees, financial support will be provided for only one person)
Subsidy	60% of the co-payment for one round of treatment (up to 120,000 yen). Up to 1 million yen per couple (for the co-payment, from which all assistance including public support etc. has been deducted).



→ p. 162 Walking the right path > Inclusive & diverse workplaces

Employee's safety

Kao's creating value to address social issues

Social issues we are aware of

As we have several large-scale plants, its process safety and disaster prevention needs are increasingly heightened in the context of accidents at chemical plants and the many natural disasters that have occurred recently.

Kao's creating value

Kao has defined an activities policy for occupational safety and health as part of the Kao Responsible Care Policy and is endeavoring to ensure the safety and health of all employees of the group. We achieve this by focusing on and implementing activities in the areas of risk assessment for operations/machinery and chemical substances, and by the consistent implementation of and follow-up for health check-ups, as well as mental health measures.

We will deliver workplaces which provide job satisfaction and peace of mind both for the employees themselves and for their families, by creating safe, healthy and pleasant working environments.

Risks related to realization of our vision by 2030

- Risk of stoppages to operations due to occupational illness resulting from critical disasters or compromised operating environments.
- Risk of loss of societal trust in the company due to the above.

Opportunities related to realization of our vision by 2030

We actively work, by means of thorough risk assessments, to eradicate the factors which threaten the occupational health and safety of all employees, thereby creating workplaces where they can work in safety, health and peace of mind.

Contributions to the SDGs



Policies

Activities to ensure occupational safety and health are clearly stipulated in the Kao Responsible Care Policy. This is a policy to "eradicate occupational accidents and reduce potential risks, as well as provide comfortable working environments and promoting employee health." Accordingly, when occupational accidents occur, we carefully investigate the accident or disaster, and identify and analyze the causes. The Policies results of the analysis are shared throughout the group to help prevent similar accidents from occurring again in the future, thereby protecting our employees while maintaining safe and stable operations.



→ Kao Responsible Care Policy
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf

Education and promotion

To ensure that work can be carried out safely, we draft educational plans related to occupational safety and health for employees and temporary workers, and conduct training for new hires or reassigned personnel at the location of deployment. Furthermore, we identify operations that require special education, and ensure that this education is provided to all employees who need it.

By implementing education, we are able to share information relating to safety and health in the workplace, and are able to undertake activities aimed at achievement of safety and health targets.

We are also endeavoring to ensure that the efficacy of past drills is not weakened by the passage of time, by designating a Safety Day on days when accidents occurred in the past.

Collaboration and engagement with stakeholders

To ensure safety of employees of subcontractors who work at our worksites together with us, we hold safety and disaster prevention events in collaboration with subcontractors. We also promote collaborative safety activities with the aim of building safe and secure enterprises, sharing safety information such as occupational accident case studies and countermeasures within the group with subcontractors on a monthly basis.

Framework

The Kao Responsible Care (RC) Policy and the promotion framework and activities can be found on the following page.



→ Responsible care activities
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-all.pdf#page=17

Mid- to long-term targets and performance

Mid- to long-term targets

We aim to become a company which meets top-level global standards for health and safety by 2020.

We have set a target of achieving the complete elimination of deaths and serious lost time accidents, and a target for reducing the lost time accident frequency rate (to below 0.10), and we also aim to completely eliminate 100% negligence accidents causing bodily injury in relation to work-related traffic accidents by 2020, for both employees and subcontractors.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Mitigation of unnecessary expenses and reductions in overall costs, leading to higher revenues with the sound implementation of business activities achieved by having all employees working in good health.

Social impacts

Stable provision of products with sound implementation of business activities by having all employees working in good health. Moreover, this can facilitate the stabilization of product prices.

Performance in 2019

We implemented activities from the two perspectives of “Eradication of occupational accidents” and “Creating a pleasant working environment and improving employees’ health.” Specific activities to eradicate occupational accidents have focused on equipment and operational risk assessment for existing facilities. We have also promoted improvements using near-miss incident proposals, risk assessment and incoming safety inspections in advance of operation of



newly-installed equipment, and equipment safety measures and the prevention of equipment-related incidents by ensuring thorough awareness of and compliance with rules. Activities have also focused on measures to prevent slip and fall accidents involving stairs, etc., and work-related traffic accidents, etc.

In the area of creating a pleasant working environment and improving employee health, we have strengthened management of the working

environment, ensuring effective implementation and follow-up of health check-ups, undertaking health promotion activities, stress checks, and implementing risk assessment for chemical substances.

In addition, at the Health and Safety Committee meetings which are regularly held at each workplace, we report on activity plans as well as giving performance reports and disseminate this information to employees.

2019 Targets and performance (Kao Group)

Item	Indicator	Scope	2017	2018	2019	
			Results	Results	Target	Results
Occupational accidents	Death and serious lost time accidents* ¹ (persons)	Including both regular employees and temporary workers (Kao Group)	1	0	0	0
		Breakdown				
		Japan	1	0	—	0
		Asia	0	0	—	0
		Americas	0	0	—	0
		Europe	0	0	—	0
		Subcontractors (Kao Group)	0	0	—	0
		Breakdown				
		Japan	0	0	—	0
		Asia	0	0	—	0
		Americas	0	0	—	0
		Europe	0	0	—	0
	Lost time accidents frequency rate* ²	Including both regular employees and temporary workers (Kao Group) 	0.55	0.77	0.16 or less	0.78
		Breakdown				
		Japan	0.36	0.54	—	0.67
		Asia	0.34	0.19	—	0.25
		Americas	3.57	4.18	—	3.21
		Europe	2.79	4.66	—	3.30
		Including both regular employees and temporary workers (Reference: Member companies of Japan Chemical Industry Association)	0.36	0.31	—	—
		Subcontractors (Kao Group) 	0.41	0.40	0.14 or less	0.24
		Breakdown				
		Japan	0.55	0.55	—	0.66
		Asia	0.10	0.11	—	0.06
		Americas	0.00	0.00	—	0.00
		Europe	4.21	7.06	—	4.18
		Subcontractors (Reference: Member companies of Japan Chemical Industry Association)	0.49	0.52	—	—


*1 Serious lost time accidents: Accidents in which there is a continued loss of physical function after treatment for the injury has been completed (with a loss of physical function of Level 5 or higher).

*2 Lost time accident frequency rate: Number of persons dead or seriously injured in occupational accidents per million hours worked (including only accidents involving at least one lost work day and also the loss of a part of the body or a bodily function).

Employee wellbeing & safety

103-1, 103-2, 103-3, 403-9 (Occupational health and safety 2018),
403-10 (Occupational health and safety 2018)

2019 Targets and performance (Kao Group)

Item	Indicator	Scope	2017	2018	2019	
			Results	Results	Target	Results
Occupational accidents	Total accident frequency rate*3	Including both regular employees and temporary workers (Kao Group)	1.87	2.43	0.83 or less	2.33
		Breakdown				
		Japan	1.70	2.20	—	2.47
		Asia	1.02	1.37	—	0.49
		Americas	5.95	8.36	—	6.02
		Europe	6.15	6.86	—	5.78
		Subcontractors (Kao Group)	1.18	1.21	0.68 or less	0.75
		Breakdown				
		Japan	1.18	2.11	—	1.87
		Asia	0.71	0.40	—	0.18
		Americas	0.00	0.00	—	0.00
		Europe	12.62	10.59	—	16.70
	Severity rate*4	Including both regular employees and temporary workers (Kao Group)	0.10	0.05	—	0.01
		Breakdown				
		Japan	0.13	0.03	—	0.01
		Asia	0.01	0.14	—	0.01
		Americas	0.08	0.06	—	0.02
		Europe	0.04	0.07	—	0.05
		Including both regular employees and temporary workers (Reference: Member companies of Japan Chemical Industry Association)	0.04	0.03	—	—
		Subcontractors (Kao Group)	0.01	0.01	—	0.01
		Breakdown				
		Japan	0.02	0.01	—	0.04
		Asia	0.00	0.01	—	0.01
		Americas	0.00	0.00	—	0.00
		Europe	0.06	0.19	—	0.03
		Subcontractors (Reference: Member companies of Japan Chemical Industry Association)	0.18	0.07	—	—
	Number of employees who experienced lost work days due to occupational diseases (persons)*5	Including both regular employees and temporary workers (Kao Group) 	—	0	0	0
		Breakdown				
		Japan	—	0	—	0
		Asia	—	0	—	0
		Americas	—	0	—	0
		Europe	—	0	—	0
Traffic accidents	100% negligence accidents causing bodily injury (no. of accidents)	Sales and logistics (Japan)	11	16	0	5
	Accidents other than 0% negligence accidents per 100 vehicles*6		7.64	6.43	4.4 or less	6.48

*3 Total accident frequency rate: Number of persons injured in occupational accidents (including accidents without lost work days) per million hours worked.

*4 Severity rate: Number of lost days/total working hours × 1,000.

*5 There has been a global target for the number of employees who experienced lost work days due to occupational diseases since 2018.

*6 Accidents other than 0% negligence accidents per 100 vehicles: Number of traffic accidents other than 0% negligence / No. of vehicles in fleet × 100.

Employee wellbeing & safety 103-1, 103-2, 103-3

Targets for 2020

In 2020 we will continue to make efforts with the prevention of accidents and disasters as our target. Note that traffic accident targets are for Japan only.

2020 Targets (Kao Group)

Item	Scope	Indicator	2020 targets
Occupational accidents	Regular employees and temporary workers	Death and serious lost time accidents* ¹ (persons)	0
		Lost time accidents frequency rate* ²	0.10 or less
		Total accident frequency rate* ³	0.56 or less
	Subcontractor employees	Death and serious lost time accidents* ¹ (persons)	0
		Lost time accidents frequency rate* ²	0.10 or less
		Total accident frequency rate* ³	0.56 or less
Traffic accidents	Regular employees	Number of employees who experienced lost work days due to occupational diseases (persons)	0
		100% negligence accidents causing bodily injury (no. of accidents)	0
		Accidents other than 0% negligence accidents per 100 vehicles* ⁴	3.8 or less

*1 Serious lost time accidents: Accidents in which there is a continued loss of physical function after treatment for the injury has been completed (with a loss of physical function of Level 5 or higher).

*2 Lost time accident frequency rate: Number of persons dead or seriously injured in occupational accidents per million hours worked (including only accidents involving at least one lost work day and also the loss of a part of the body or a bodily function).

*3 Total accident frequency rate: Number of persons injured in occupational accidents (including accidents without lost work days) per million hours worked.

*4 Accidents other than 0% negligence accidents per 100 vehicles: Number of traffic accidents other than 0% negligence / No. of vehicles in fleet × 100.

Our initiatives

Status of occupational accident occurrences

In 2019, a total of 181 regular employees and temporary workers were involved in occupational accidents, of which 61 persons lost work days as a result, with no occupational illnesses resulting in lost work days recorded. For occupational accidents involving subcontractors, the number of persons affected was 34, of which 11 suffered injuries resulting in lost work days.

The most common types of accidents among regular employees and temporary workers were slip and fall accidents due to carelessness and insufficient confirmation (53 employees), accidents involving reactionary action (29 employees) and collisions (19 employees). Measures are being promoted with an emphasis on slip and fall accidents, due to such accidents having the highest incidence rate.

Risk assessments of chemical substances

As many kinds of chemical substances are handled at our manufacturing locations, the risk of environmental pollution is not negligible. With this in mind, we evaluate the impacts on people and the environment and make provisions to reduce these risks. In addition, we conduct a priori evaluations of impacts on people and the environment when expanding and reconstructing facilities.

These measures have been implemented in response to the U.N.'s Strategic Approach to International Chemicals Management (SAICM) initiative.

Expansion of the “no accidents with lost work days award system” improving safety awareness

Since 2016, the “no accidents with lost work days award system,” which had previously been limited to plants in Japan, was expanded to include plants outside Japan, in order to further improve safety awareness.

In 2019, four plants in Japan and five plants outside Japan received awards.

“No accidents with lost work days award” (2019)

Region	Company / Plant	Stage
Japan	Sakata Plant	Stage 1 (3 years)
	Kashima Plant	Stage 1 (3 years)
	Toyohashi Plant	Stage 1 (3 years)
	Fuji Plant	Stage 3 (7 years)
China	Kao Chemical Corporation Shanghai	Stage 2 (5 years)
	Kao (Hefei) Co., Ltd.	Stage 3 (7 years)
Taiwan	Kao (Taiwan) Corporation	Stage 1 (3 years)
Vietnam	Kao Vietnam Co., Ltd.	Stage 1 (3 years)
United Kingdom	Molton Brown	Stage 1 (3 years)

Award criteria

Stage	Award criteria
1	3 years
2	5 years or 5.4 million hours
3	7 years or 8.1 million hours
4	10 years or 12.2 million hours
5	15 years or 18.3 million hours



The award for completion of Stage 3 presented to Kao's Fuji Plant.



China: The award for completion of Stage 2 presented to Kao Chemical Corporation Shanghai and the award for completion of Stage 3 presented to Kao (Hefei).



United Kingdom: The award for completion of Stage 1 presented to Molton Brown.

Sharing safety messages globally

With the aim of raising safety awareness worldwide, safety messages have been translated into local languages since 2017, safety posters featuring the company president have been shared deployed in worksites both within Japan and outside Japan and safety messages have been shared worldwide.

We have put out a call for messages worldwide since 2018. In 2019 we created a safety poster with the message from Kao Chemical Corporation Shanghai, which awarded the Grand Prize.



The safety poster featuring the company president was deployed in 11 different local languages (Clockwise from top left: Japanese, English, Chinese (simplified), German)



Safety Message Grand Prize awarded to Kao Chemical Corporation Shanghai.

Creating a pleasant working environment for employees

We strive to create a pleasant working environment in all workplaces, and conduct periodic working environment measurement and implement improvement and maintenance to ensure compliance with each country's workplace environment standards.

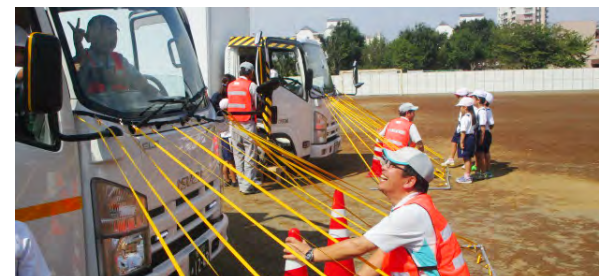
Implementation of the Children's Road Safety Class as a local contribution activity

As Kao Transport & Logistics Co., Ltd. is engaged in delivering products by truck, and has to pay close attention to road safety on a daily basis, the company has been holding events that are related to road safety.

In recent years, Kao Transport & Logistics has been proactively implementing Children's Road Safety Class for elementary school children in the vicinity of seven of its worksites.

Delivery vehicle drivers visit the schools, where children experience sitting in the vehicle cab so that they see where the blind spots are, are taught how to cross pedestrian crossings safely, and are warned to be alert to vehicles coming out

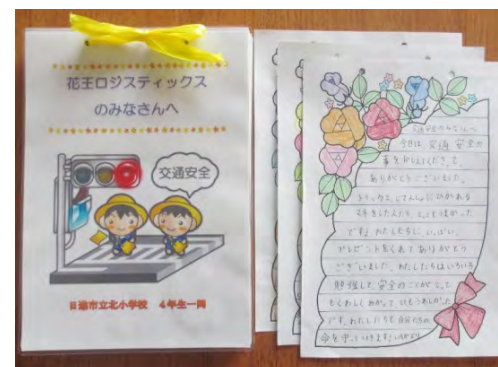
suddenly from side streets where there is limited visibility, etc. By getting elementary school children to actually experience things for themselves, this program helps to cultivate safety awareness, while at the same time encouraging the participating drivers to maintain a safe driving mindset.



Experiencing a delivery truck's blind spots.



Learning how to cross a pedestrian crossing safely.



Letters received from the participating children.

Responsible chemicals management 102-11, 102-12, 102-15, 103-1

We appropriately manage chemicals using science-based risk assessment and risk management procedures across the entire product lifecycle from development and production through to use and disposal, aiming to minimize their significant adverse effects on human health and the environment. We will promote responsible chemicals management and contribute to the sustainability of society based on the Kirei Lifestyle Plan.

Kao's creating value to address social issues

Social issues we are aware of

Chemicals foster our fulfilling lifestyles and are essential for the satisfaction and enrichment of the lives of people globally. On the other hand, chemical substances can have negative impact on human and the environment.

Member countries at the World Summit on Sustainable Development (WSSD^{*1}) held in 2002 adopted the international goals of "aiming to achieve, by 2020, that chemicals are used and produced in ways that lead to the minimization of significant adverse effects on human health and the environment, using transparent, science-based risk assessment procedures and risk management procedures [for chemicals], taking into account the precautionary approach." These objectives are known as the WSSD 2020 Goals. Toward this goal, the Strategic Approach to International Chemicals Management (SAICM^{*2}) was formulated in 2006 and approved by the United Nations Environment Programme (UNEP).

We are aware, however, that this goal may not be achieved around the world despite efforts by individual countries and regions, and even greater actions have been called for in the lead-up to 2030.^{*3}

- *1 WSSD
World Summit on Sustainable Development
- *2 SAICM
Strategic Approach to International Chemicals Management
- *3 From Global Chemicals Outlook II (UNEP, United Nations Environment Programme, 2019)

Kao's creating value

In line with the global trend toward more rigorous chemicals management, we set medium-term objectives including "active implementation of sound chemicals management in accordance with SAICM" in the Kao Environmental Statement released in 2009.

In 2012, we established the company-wide SAICM Promotion Committee, and we have been working to further enhance chemicals management, including the strengthening of the foundations provided by our own Comprehensive Management System for Chemical Substances, which we developed ourselves to apply to our own operations.

Going forward, we will contribute to realization of a sustainable society based on the Kirei Lifestyle Plan, our ESG Strategy, which raised responsible chemicals management as a priority topic.

Contributions to the SDGs



Risks related to realization of our vision by 2030

If chemicals are not properly managed, they can possibly cause adverse effects on human health and the environment, which could make it difficult to continue our business.

Opportunities related to realization of our vision by 2030

By promoting responsible chemicals management, we will contribute to realization of a sustainable society and secure opportunities to earn the trust of society, and obtain competitive advantage.

Policies

Kao handles a wide range of chemicals from industrial products to consumer products, and has always engaged in thorough chemicals management. In addition, we are promoting and strengthening chemicals management based on the internationally established SAICM.

We formulated our SAICM Promotion Policy in 2013. It defines our company-wide management policy for chemicals and forms the basis of our chemicals management.

Going forward, we will promote responsible chemicals management as a priority topic under the ESG Strategy announced in April 2019.

SAICM Promotion Policy

1. Development and Use of Safer and More Valuable Chemicals, and the Development of Manufacturing Processes with Less Environmental Impact
2. Chemicals Management throughout the Entire Life Cycle of Chemicals based on Scientific Risk Assessment
3. Compliance with Laws and Regulations on Chemicals and Voluntary Standards, and the Promotion of International Cooperation and Collaboration
4. Promotion of Risk Communications with Stakeholders



→ SAICM Promotion Policy
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/saicm-policy.pdf

Education and promotion

As a part of our chemicals management, we provide lessons and lectures by outside experts on an ongoing basis, mainly for workers who handle chemicals, to reinforce proper understanding of chemicals management.

Collaboration and engagement with stakeholders

We provide chemical information relating to product safety to customers and consumers and promote responsible chemicals management along with stakeholders by collaborating and communicating with industry, administrative bodies, outside experts, outside professionals, and others depending on the subject.

Framework

To accelerate implementation of initiatives aimed at realizing the SAICM objectives, we established the SAICM Promotion Committee in 2012 under the Sustainability Committee (now the ESG Committee) chaired by the President and CEO.

The SAICM Promotion Committee, which reports to the President and CEO, is chaired by the Managing Executive Officer responsible for overseeing the Product Quality Management Division, and it is comprised of top-level management in the Product Quality Management Division, Chemical Business Division, R&D Division, SCM Division, and ESG Division.

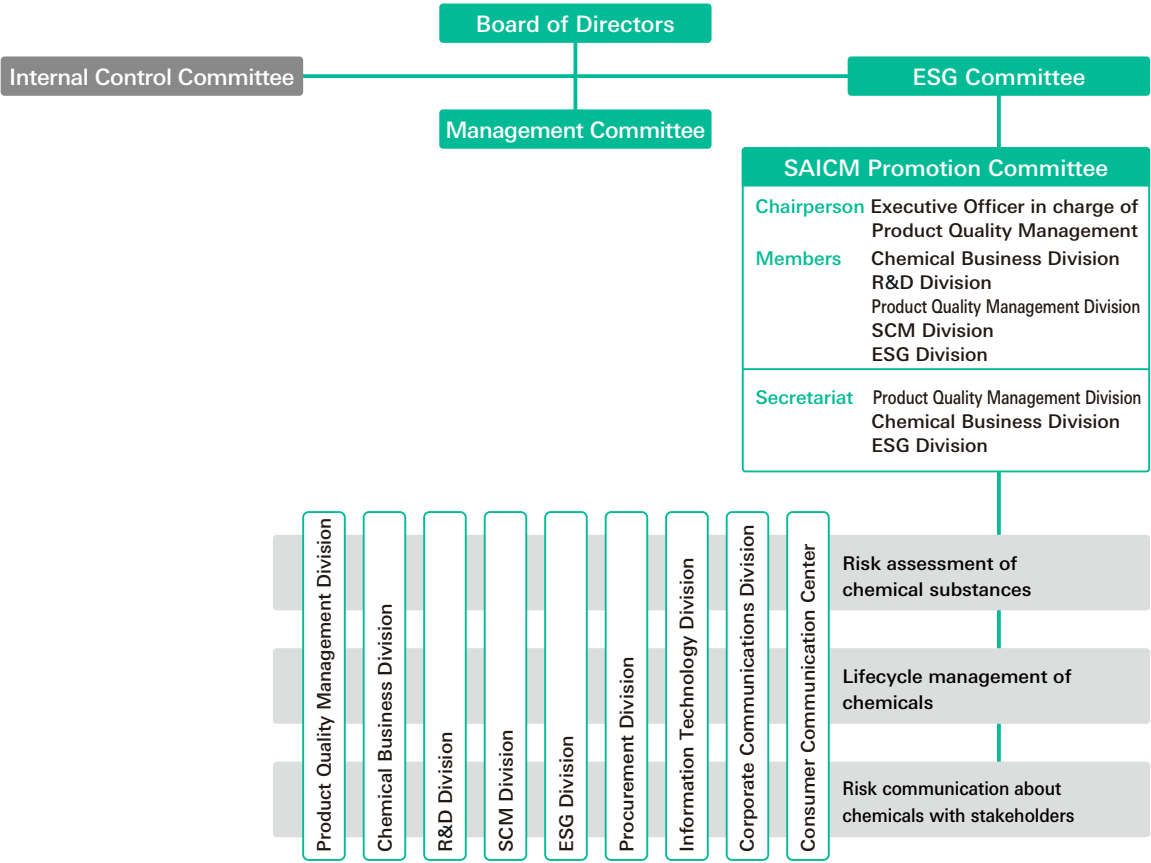
The SAICM promotion activities undertaken by Kao include:

1. Risk assessment of chemical substances
2. Lifecycle management of chemicals
3. Risk communication about chemicals with stakeholders

We have established and are implementing projects for each activities. Besides project-specific meetings, the SAICM Promotion Committee meets 3–4 times a year to receive reports on implementation status, listen to lectures given by outside experts and discuss measures to realize our vision for chemicals management in the post-2020 period.

Responsible chemicals management 103-2

SAICM Promotion Framework



* As of December 2019.

Comprehensive Management System for Chemical Substances

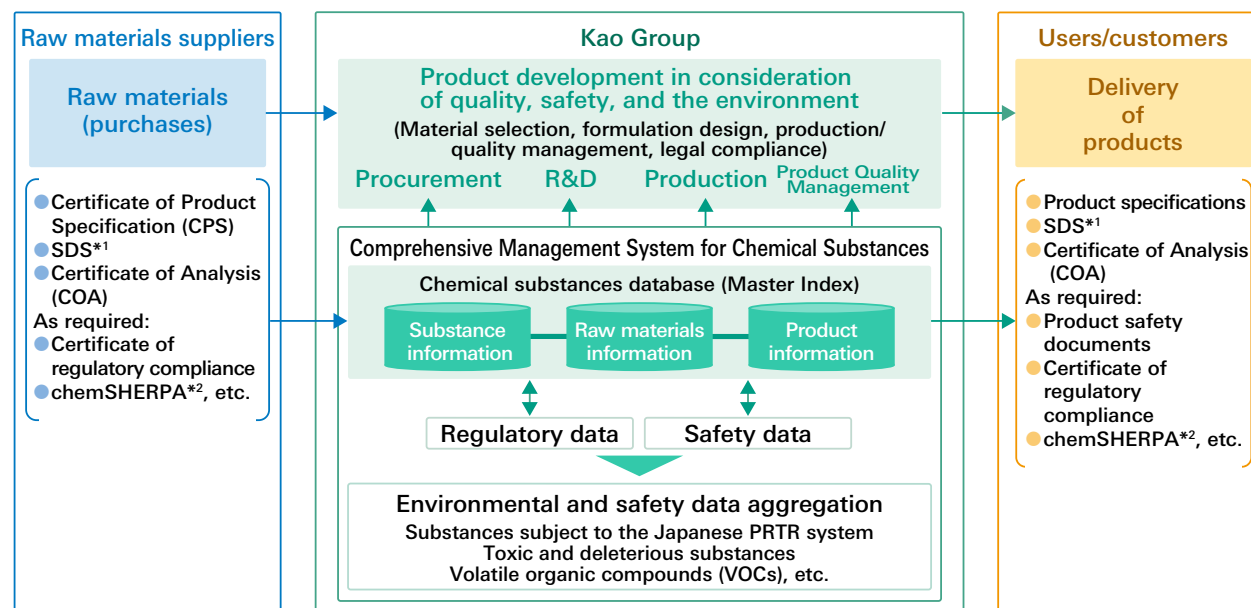
In addition to reinforcing responsible chemicals management mainly under the framework of the SAICM Promotion Committee, we developed and use the Kao Comprehensive Management System for Chemical Substances, an advanced IT support system.

In this system, we use the consistent Kao Group codes named as the Master Index that have been assigned to individual products and raw materials since 2001 to manage chemical information for various products from for industrial to for consumers.

The system provides a database which breaks down raw materials by their constituent ingredients. As a result, this system makes it possible immediately to verify the raw materials' quality, safety, anti-bacterial grade, regulatory and other information for each product. If a problem with a raw material arises, or if risk from a new substance of concern emerges, the extent of the effect can be immediately identified so that appropriate action can be taken. Based on integrated management by personnel with specialized expertise, data collected in the Comprehensive Management System for Chemical Substances are shared among Kao Group divisions. We are actively engaged in sound chemicals management on a company-wide basis.

In addition, we are enhancing the functions of the Comprehensive Management System for Chemical Substances to cope with global changes in regulatory requirements and our business expansion into new business fields and regions.

Kao Comprehensive Management System for Chemical Substances



*1 SDS

Safety Data Sheet. Document providing information to ensure safe and appropriate handling of chemicals, such as names of substances contained in the product, information about potential hazards and handling precautions.

*2 chemSHERPA

A new scheme that facilitates sharing information on chemical substances in products across the entire supply chain to address broadening regulations and appropriately manage chemical substances contained in products on an ongoing basis.

➔ chemSHERPA website: <https://chemsherpa.net/english>

Mid- to long-term targets and performance

2020 mid-term targets

1. Risk assessment of chemical substances

We select Kao priority assessment substances taking into consideration factors such as production and use volume, the exposure level for humans and the environment, and priorities in our corporate activities. We assess those substances considering the expected impact on the environment in accordance with our risk assessment policy, and implement appropriate management on the basis of the assessments.



→ Risk assessment policy
chemical.kao.com/global/sustainability/saicm/
article_03/

Risk assessment of chemical substances is conducted with the following objectives.

- Conduct risk assessments of the Kao priority assessment substances (19 categories) by 2020.



→ Kao's Safety Summary of chemicals for priority risk assessment
chemical.kao.com/global/sustainability/saicm/
article_05/

Examples of the 19 categories

- Alkyl glycosides (a class of non-ionic surfactants): Widely used in everyday consumer products such as dishwashing liquids, household cleaners, body soaps, shampoos, etc.
- Polyoxyalkylene alkyl ethers (a class of non-ionic surfactants): Widely used in everyday consumer products such as laundry detergents, dishwashing liquids, household cleaners, shampoos, bleaches, etc.
- Sodium linear-alkylbenzene sulfonate (a class of anionic surfactants): Widely used in everyday consumer products such as laundry detergents, dishwashing liquids, etc.
- Polyester resin for use in toner (polyester resin used as binder in toner)

2. Lifecycle management of chemicals

We have set the following targets at workplaces where chemicals are handled to prevent adverse health effects on workers.

- Conduct risk assessments and implement corresponding measures at workplaces where chemicals are handled by 2020, and continue to conduct risk assessments for new chemicals and implement corresponding measures.

3. Risk communication about chemicals with stakeholders

We have set the following targets for communicating safety information on our manufacturing and selling chemicals throughout the supply chain, and for ensuring safety, sound use and the ability to take necessary action pertaining to chemicals.

- Release the safety summaries of 20 Kao priority risk assessment substances by 2020 and continue this activity after 2020.
- Release GPS Safety Summaries* of 150 chemical products by 2020 and continue this activity after 2020.

* GPS Safety Summary

A document providing a summary of chemical substance safety information as a reference for the general public. Besides information about physical and chemical properties, this document addresses the use and process conditions for sound risk management and outlines risk management measures. It is also used to disseminate information to downstream users.

Responsible chemicals management 103-2, 103-3

Discussion in the lead-up to 2030

We have defined our vision and approach to the future up to 2030 as a company which handles a wide range of chemicals from industrial products to consumer products, as we promote responsible chemicals management in accordance with our ESG Strategy. We continue to discuss specific targets and actions.

Kao's vision

We believe in a safe society where people around the world can enjoy the benefits provided by chemicals with peace of mind.

To that end, the risks associated with chemicals should be properly managed. Through its ESG initiatives, Kao wants to take the lead in responsible chemicals management to help actualize such a society by 2030.

Five-part approach

1. Minimize environmental impact throughout the product lifecycle

Facilitate sustainable product development through collaboration across whole product life cycle (procurement of raw materials, development, manufacturing, distribution, sales, use, disposal/ recycling).

2. Foster a sense of trust by having zero chemical accidents

Strengthen chemical risk management through whole product life cycle (procurement of raw materials, manufacturing, distribution and disposal).

3. Optimize risk assessment methods for efficient chemicals management

Improve assessment methods through collaboration with the government, academia, and related industries for the sound chemicals management and minimization of risks for human health and the environment in society as a whole.

4. Make information on chemicals' benefits and safety available in an accessible and easy to understand way

Share information on chemicals' benefits and safety with stakeholders in society.

5. Effectively communicate with people around the world to earn more trust

Facilitate effective communication with people around the world by keeping their diverse values and lifestyles in mind.

Performance in 2019

The SAICM Promotion Committee set the following project targets for 2019 and conducted activities accordingly. Details on results can be found in Our Initiatives.

Targets for 2019

1. Risk assessment of chemical substances

1. Conduct risk assessments and compile risk assessment reports for Kao priority assessment substances (three categories)
2. Discuss risk assessment results with outside experts at academic conferences
3. Publish papers on risk assessment techniques and methods
4. Continue the global roll-out of and enhance the Comprehensive Management System for Chemical Substances

2. Lifecycle management of chemicals

1. Implement risk reduction measures based on risk assessments at workplaces where chemicals are handled
2. Complete GHS* hazard labeling at ten production sites in Japan and continue implementation at production sites outside Japan

* GHS

Globally Harmonized System of Classification and Labelling of Chemicals

3. Risk communication about chemicals with stakeholders

1. Public disclosure of SAICM promotion activities results
Three safety summaries of Kao priority assessment substances and 18 GPS Safety Summaries for chemical products
2. Continue to conduct and review our mutual communication with stakeholders
Stakeholders: Industries, administrative bodies, customers, consumers

Reviews of performance

In our initiatives on chemicals, we achieved our objectives in all projects.

New issues that were identified through the initiatives were shared in the SAICM Promotion Committee, and they are incorporated into our 2020 action plan.

We are also discussing to achieve our mid- to long-term vision for 2030.

Our initiatives

Internal education on chemicals

We worked on the following activities in 2019.

- Product Quality Management and R&D divisions led organizing three internal briefings and lectures by outside experts on chemicals management, and approximately 350 persons attended.
- The SCM Division has developed educational programs for current and new employees and internal transfers, which are structured by field of specialization and level of experience. The curriculum included information on the risks and hazards of chemicals

Communication about chemicals with stakeholders

We worked on the following activities in accordance with our SAICM Promotion Policy.

1. Collaboration with industry organizations

We have participated in various activities to contribute to chemicals management in industries.

We are actively involved in JIPS^{*1}, which is a voluntary initiative by chemical industry in Japan to strengthen chemicals management in order to contribute to SAICM, and discussed ways to support voluntary chemicals management in and after 2020 under the Chemicals Management Committee.

In addition, we continued our positive participation in LRI^{*2}, which is promoted by the Japan Chemical Industry Association with chemical industries in Europe and the United States, and supported researches.

^{*1} JIPS

Japan Initiative of Product Stewardship.

A voluntary initiative based on Global Product Strategy (GPS) principles for enhancing global chemicals management promoted by the International Council of Chemical Associations (ICCA) in response to the adoption of SAICM.

^{*2} LRI

Long-Range Research Initiative

An international program that provides long-term support to researches on the potential impact of chemicals on human health and the environment.

2. Collaboration with administrative bodies

We have continued cooperation with administrative bodies in Japan involved in chemicals management, exchanging opinions regarding Kao's SAICM promotion activities and discussing the framework of chemicals management in and after 2020. In 2019, we exchanged views with government agencies four times.

We also actively participated in study panels in administrative agencies through industry organizations to exchange opinions in order to use more precise environmental assessment methods for chemical regulations such as Chemical Substances Control Law.

3. Collaboration with distributors and customers Providing information on chemicals in products

To comply with increasingly stringent regulations in various countries and regions as well as with industry standards, we proactively manage the chemical substances contained in our chemical products (management chemical substances in products) and provide information to our customers.

With regard to providing information on chemical substances in products to our customers, we adopted chemSHERPA (September 2017), which is a new information communication scheme for chemical substances in products developed under the initiative

of the Japanese Ministry of Economy, Trade and Industry, in advance to the industry. We continuously release the latest versions of chemSHERPA-CI*3 in Japanese, English and Chinese on the Kao website.

We released the latest version of chemSHERPA-CI for our major chemical products in March and September of 2019. In Japan, we voluntarily distributed them to our customers in cooperation with our sales distributors.

*3 chemSHERPA-CI

Data entry support tool and output format for communicating information on specified chemical substances.

GHS-compliant SDS and product labeling

To provide the latest chemical information relating to our products to customers, we issue GHS-compliant SDS and promote GHS-compliant product labeling for our chemical products in countries that have introduced GHS.

In 2019, we prepared and applied GHS labeling for new products marketed in countries and regions that have introduced GHS (Japan, Europe, the U.S. and Asia) from our plants in Japan and Asia. We also monitored regulatory trends in countries and regions that have implemented GHS, and we updated SDS and labels as necessary.

We have started implementation of amended JIS*4 in Japan by June 2022.

We are enhancing the Comprehensive Management System for Chemical Substances with a target of 2020, as well. The system is planned to provide smooth preparation and management functions of SDS and product label compliant with the latest version of GHS in each country around the world.

*4 JIS

Japanese Industrial Standards

Collaboration with distributors

Chemical Business Division shares information such as SDS and chemSHERPA-CI via a private network (Extranet) linking sales distributors to Kao to collaboratively promote chemicals management throughout the supply chain.

In 2019, we posted updated information and up-to-date information on chemical regulations and import/export controls, and requested our customers to deal with them.

In addition, we explained our chemicals management activities at a training for new sales distributor employees at the Wakayama Complex in October. We also visited 11 selected sales distributors in November and December to exchange knowledge on recent trends including chemical regulations around the world and our actions.

4. Collaboration and communication with consumers

Kao Corporation continuously engages in communication with consumers and residents near our business sites to deepen understanding of chemical risks and its proper usage.

The representative activities in 2019 are as follows.

- Communication sessions with residents near our plants and local governments at ten plants in Japan and analysis in order to implement more close activities aligned with regional characteristics.
- Discussion with medical students about how to transfer chemical risk information in ways that are easy to understand.
- Kao employees wrote and issued a book on chemicals management for business persons (Publisher: The Chemical Daily) for better understanding of chemicals management in society.

Performance in 2019 concerning mid-term targets

Details concerning performance in 2019 toward the 2020 mid-term targets were as follows.

1. Risk assessment of chemical substances

1. Conduct risk assessments and compile risk assessment reports for Kao priority assessment substances (3 categories).

We completed risk assessments (cumulative total of 21 categories) as planned, and compiled the results in risk assessment reports. Risk for human health and the environment was acceptable level for all three categories.

In 2019, we released 3 safety summaries of Kao priority risk assessment substances whose risk assessments were conducted in 2017.

We also prepared 18 GPS Safety Summaries in Japanese and English for chemical products and publicly released them. The Kao Group has published a total of 159 GPS Safety Summaries globally.

Released in 2019

Polycarboxylic acid based polymer, Benzalkonium chloride, Mono alkyl cation



→ Kao's Safety Summary of chemicals for priority risk assessment
chemical.kao.com/global/sustainability/saicm/article_05/

→ GPS Safety Summaries
chemical.kao.com/global/sustainability/saicm/article_06/

Responsible chemicals management 103-2, 103-3

2. Discuss risk assessment results with outside experts
We made following presentation at The Japanese Society of Toxicology (JSOT) and deepen our understanding through discussions with experts.

“Human health and environmental risk assessment of chemicals in daily use: Safety assessment of fatty acid amidopropyl dimethylamines in consideration of using consumer product”

3. Publish papers on risk assessment techniques and methods

We published the following three papers on environmental risk assessment techniques and methods in 2019.

- *Integrated Environmental Assessment and Management*, vol. 15, pp. 750-759 (2019)
- *Journal of Japan Society on Water Environment*, vol. 42, pp. 79-89 (2019)
- *Journal of Japan Society on Water Environment*, vol. 42, pp. 201-206 (2019)

4. Continue the global roll-out of and enhance the Comprehensive Management System for Chemical Substances

We continued registration of new raw materials on the current system in 2019. In addition, we launched a project to take measures to globally accelerating social and environmental changes such as tighter regulations as well as our expanding business areas and the countries where we conduct business, and worked to enhance systems, targeting to go live in 2020.

2. Lifecycle management of chemicals

1. Implement risk reduction measures based on risk assessments at workplaces where chemicals are handled
The representative measures that we implemented in 2019 to protect the safety of workers at workplaces

where chemicals are handled were as follows.

- Systemization of the control banding method^{*1} for risk assessment so that it can be easily used at production sites. In addition to the control banding method, we also promoted the use of more precise risk assessments using ECETOC TRA^{*2} and CREATE SIMPLE Ver2.0^{*3} as necessary.
- We implemented risk reduction measures for each production area for small quantity/large variety products such as cosmetics.
- Expansion of chemical risk assessment implemented in Japan throughout Asia.

*1 Control banding method

A method of assessing the risks of health hazards associated with chemical substances. This is a method for managing chemical substances designed by the International Labour Organization (ILO) that incorporates simple and practical risk assessment methods. It is intended to protect the health of workers in small- and medium-sized companies in developing countries from hazardous chemicals. For each process that requires handling of hazardous chemicals, risks are ranked into four levels according to three component elements: the hazard of the chemical, its form (volatility/risk of becoming airborne), and the amount being handled. In addition to indicating general management items to be implemented in each category, this tool also makes it possible to indicate more specific items to be implemented with regard to other general work tasks.

*2 ECETOC TRA (European Centre for Ecotoxicology and Toxicology of Chemicals Targeted Risk Assessment)

A risk assessment tool used in REACH, the EU system for registering chemical substances. Able to obtain risk management direction as well as the risk determination.

*3 CREATE-SIMPLE (Chemical Risk Easy Assessment Tool, Edited for Service Industry and MultiPLE workplaces)

A simple chemical substance risk assessment tool designed for use in a wide range of workplaces, including service sector workplaces. It was released by Japan's Ministry of Health, Labour and Welfare in 2018.

2. Complete GHS labeling at production sites in Japan and continue implementation at production sites outside Japan

To ensure that workers can check the hazards of chemicals before handling them, since 2016 we have been working to display GHS labels on storage tanks

and work areas for sampling, filling and so on where chemicals are handled in plants. In 2019, we completed labeling at 10 plants in Japan.

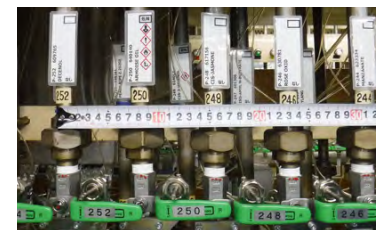
Of the 22 plants of group companies outside Japan, labeling is nearly complete at 12 plants in Asia.



GHS labeling on a storage tank (example)



GHS labeling at raw materials intake ports (example)



GHS labeling at raw materials sampling ports (example)

3. Risk communication about chemicals with stakeholders

1. Public disclosure of SAICM promotion activities results



→ p. 199 Kao's Safety Summary of chemicals for priority risk assessment / GPS Safety Summaries

2. Continue to conduct and review our mutual communication with stakeholders



→ p. 198 Communication about chemicals with stakeholders

Global compliance with chemical regulations

Kao registers and manages chemical substances contained in our products manufactured, or directly or indirectly exported according to the quantities and hazard levels, based on the chemical regulations of the relevant countries or regions and in accordance with our SAICM promotion policy.

We have been introducing systems that can check regulations at the time of import and export to our affiliates related to the Chemical business since 2017, and we are taking measures to ensure legal compliance.

1. Japan

We investigated use information of existing chemicals throughout the supply chain and certainly reported that information in accordance with the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. (Chemical Substances Control Law).

In addition, we conducted notification by means of an electric system for Confirmation of Small Quality of New Chemical Substances, taking into account the release into the environment, whose operation began in fiscal 2019.

2. United States

In 2019, we improved the Comprehensive Management System for Chemical Substances and completed updating data in response to the new operation of the existing chemical substance list under the U.S. TSCA^{*1}, which was amended in 2016.

3. China

In cooperation with local Kao companies, we completed registration before manufacturing or import of new chemical substances in our products and annual volume reporting in accordance with the new Measures for

Environmental Administration of New Chemical Substances.

We also collaborated with industry organizations and local subsidiaries to acquire up-to-date information regarding ordinances on hazardous chemicals that are expected to be tightened, new Measures for Environmental Administration of New Chemical Substances and Regulations Concerning the Hygiene Supervision over Cosmetics that are expected to be amended, and Regulation on Environmental Risk Assessment, and Control of Chemical Substances that are expected to be newly adopted.

4. South Korea

In response to the requirement for pre-registration under the revised Chemicals Act (K-REACH)^{*2}, which started in 2019, we completed the advanced selection of subject substances and submitted registration applications by the deadline without delay. We are participating in consortiums concerning chemical substances and are proceeding steadily with registration work.

5. Other countries

Working in collaboration with local subsidiaries in countries and regions in Europe, North America (Canada), East and Southeast Asia and Oceania that have introduced chemical substance management systems, we surely submitted necessary notifications and undertook management necessary for manufacture and import, and gathered information on the latest regulatory trends.

^{*1} TSCA

Toxic Substances Control Act

A U.S. law that regulates chemical substances that poses unreasonable risks to human health and the environment.

^{*2} K-REACH

The Act on the Registration and Evaluation of Chemicals of South Korea.



Kao Corporation's Chemical Business Division receives JIPS Award Grand Prize

In February 2019, Kao Corporation's Chemical Business Division received the JIPS Award Grand Prize. This was the third consecutive year that the division has won award.

The JIPS Award was established by the Chemicals Management Committee of the Japan Chemical Industry Association (JCIA) in 2017 to recognize companies that have demonstrated excellence in voluntary GPS/JIPS activities for chemicals management throughout the supply chain.

We received this award in recognition of having released a large number of GPS Safety Summaries, and of our proactive pursuit of chemicals management.



Awards ceremony

Kirei Lifestyle Plan KPI definitions 103-1, 103-2, 103-3

Regarding the mid- to long-term targets of the Kirei Lifestyle Plan that are noted on page 20 and 21, the formulas and factors that each indicator is comprised of, and the scope of each indicator, are as shown below.

Making my everyday more beautiful

Kao Actions	Indicator			Target value	Target year	Base year
	Formula	Factor	Scope			
Making my everyday more beautiful						
Commitment	The number of people empowered to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self expression			1 billion	2030	—
	Plan to disclose in 2021					
Improved quality of life	% of new or improved products which contribute to a comfortable, beautiful, healthy life and touch the heart of people			100%	2030	—
	Plan to disclose in 2021					
Habits for cleanliness, beauty & health	Coverage of enlightening activities that stimulate habits for cleanliness, beauty & health using Kao products and services Scope: Targeted brands/categories			100%	2030	—
	Plan to disclose in 2021					
Universal product design	% of new or improved products that meet Kao's Universal Design Guidelines			100%	2030	—
	A / B × 100 (%)	<ul style="list-style-type: none"> • A: The number of products that meet the conformance criteria (pcs) • B: Total number of products (pcs) 	<ul style="list-style-type: none"> • Consumer products of the Kao Group • New or improved products 			
Safer healthier products	% of targeted ingredients of concern on which views are disclosed			100%	2030	—
	A / B × 100 (%)	<ul style="list-style-type: none"> • A: The number of ingredients of concern on which views are disclosed (ingredients) • B: Total number of established ingredients of concern (ingredients) 	<ul style="list-style-type: none"> • Kao Group 			

Kirei Lifestyle Plan KPI definitions 103-1, 103-2, 103-3

Making thoughtful choices for society

Kao Actions	Indicator			Target value	Target year	Base year
	Formula	Factor	Scope			
Making thoughtful choices for society						
Commitment	% of Kao brands that make it easy for people to make small but meaningful choices that, together, shape a more resilient and compassionate society			100%	2030	—
	Plan to disclose in 2021					
Sustainable lifestyle promotion	Coverage of distribution of information, information tools, and enlightening or communication activities for sustainable lifestyle Scope: Targeted brands/categories			100%	2030	—
	Plan to disclose in 2021					
Purpose driven brands	% of Kao brands that make a contribution to solving social issues and that make people feel and sympathize with the brand's social usefulness			100%	2030	—
	A / B × 100 (%)	<ul style="list-style-type: none"> • A: The number of brands that meet the conformance criteria (brands) • B: Total number of brands (brands) 	• Consumer Products Business of the Kao Group			
Transformative product innovation	Cumulative number of transformative sustainable product innovations launched			10 or more	2030	—
	A (innovations)	<ul style="list-style-type: none"> • A: The cumulative number from 2019 of launched products and services with transformative innovations for lifestyles, society or the environment (launches) 	• Consumer products of the Kao Group			
	% of new or improved products which meet Kao sustainability guidelines			100%	2030	—
	A / B × 100 (%)	<ul style="list-style-type: none"> • A: The number of new or improved products that introduce new, original technology that satisfy following conditions for achieving the Kirei Lifestyle (pcs): <ul style="list-style-type: none"> ① Technology that makes the environment change for the better ② Technology that makes lifestyles and society change for the better • B: The number of new or improved products launched in the year (pcs) 	• Consumer products and industrial-use products of the Kao Group			
Responsibly sourced raw materials	% of certified paper products and pulp for consumer products			100%	2025	—
	A / B × 100 (%)	<ul style="list-style-type: none"> • A: The weight of certified paper products and pulp (FSC, PEFC, SFI) for consumer products of the Kao Group (t) • B: The weight of paper products and pulp for consumer products of the Kao Group (t) 	<ul style="list-style-type: none"> • Paper products and pulp for consumer products of the Kao Group • Office paper and other paper used in the Kao Group 			
	Confirm traceability to small oil palm farm			Finish	2030	—
	A (farms)	• A: The number of small oil palm farms for which traceability is confirmed (farms)	• Small oil palm farms			

Kirei Lifestyle Plan KPI definitions 103-1, 103-2, 103-3

Making the world healthier & cleaner

Kao Actions	Indicator			Target value	Target year	Base year
	Formula	Factor	Scope			
Making the world healthier & cleaner						
Commitment	% of Kao products that leave a full lifecycle environmental footprint that science says our natural world can safely absorb			100%	2030	—
	Plan to disclose in 2021					
	Kao recognition or achievement level by external ratings firms			Highest evaluation level	Every year	—
	—	• Obtain A rankings in CDP for Climate Change, Water Security and Forest simultaneously	• Kao Group			
Decarbonization	% reduction in absolute full lifecycle CO ₂ emissions			22%	2030	2017
	$(1 - A / B) \times 100 (\%)$	<ul style="list-style-type: none"> • A: Annual lifecycle CO₂ emissions for the year in question (t-CO₂) • B: Annual lifecycle CO₂ emissions for the base year (t-CO₂) * Base year: 2017 	<ul style="list-style-type: none"> • Entire life cycle process for consumer products of the Kao Group • Raw materials procurement, manufacturing and distribution of industrial-use products of the Kao Group 			
	% reduction in absolute scope 1 + 2 CO ₂ emissions			22%	2030	2017
	$(1 - A / B) \times 100 (\%)$	<ul style="list-style-type: none"> • A: Annual scope 1+2 CO₂ emissions of the year in question (t-CO₂) • B: Annual scope 1+2 CO₂ emissions of the base year (t-CO₂) * Base year: 2017 	• Factories, offices, logistics centers and company cars owned by the Kao Group			
Zero waste	Quantity of innovative film-based packaging penetration for Kao and others per annum			300 million	2030	—
	A + B (pcs)	<ul style="list-style-type: none"> • A: Sales quantity of innovative film based packaging (Kao Group) (pcs) • B: Sales quantity of innovative film based packaging using and applying Kao technologies (other companies) (pcs) 	• Kao Group and other companies			
	Quantity of waste not for recycling from factories and offices			Zero	2030	—
	$(1 - A / B) \times 100 (\%)$	<ul style="list-style-type: none"> • A: Weight of recycled waste (t) • B: Weight of waste (t) • This indicator is defined as zero when it is less than 1%. 	<ul style="list-style-type: none"> • Factories, offices, logistics centers owned by the Kao Group • Waste that cannot legally be recycled is excluded 			
Water conservation	% reduction in full lifecycle water use per unit of sales			10%	2030	2017
	$[1 - (A_1/A_2) / (B_1/B_2)] \times 100 (\%)$	<ul style="list-style-type: none"> • A₁: Annual lifecycle water use for the year in question (million m³) • A₂: Sales for the year in question (hundred million yen) • B₁: Annual lifecycle water use for the base year (million m³) * Base year: 2017 • B₂: Sales for the base year (hundred million yen) 	<ul style="list-style-type: none"> • Entire life cycle process for consumer products of the Kao Group • Raw materials procurement, manufacturing and distribution of industrial-use products of the Kao Group 			
	% reduction in full lifecycle water use per unit of sales in regions with water scarcity			40%	2030	2017
	Plan to disclose in 2021					
Air & water pollution prevention	% of factories which disclose VOC and COD emissions			100%	2025	—
	A / B × 100 (%)	<ul style="list-style-type: none"> • A: The number of factories which disclose VOC and COD emissions (factories) • B: Total number of factories (factories) 	• Factories owned by the Kao Group			

Walking the right path

Kao Actions	Indicator			Target value	Target year	Base year
	Formula	Factor	Scope			
Walking the right path						
Effective corporate governance	Kao recognition or achievement level by external ratings firms			Highest evaluation level	Every year	—
	Selected	Listed as one of the “World’s Most Ethical Companies®” by Ethisphere Institute	• Kao Group			
	Number of serious compliance violations per annum			Zero	Every year	—
	A (cases)	<ul style="list-style-type: none"> • Compliance violations that have a significant impact on management and significantly damage corporate value • These violations are decided through deliberations by the Compliance Committee and the Management Committee considering the maliciousness of the violation and its impacts inside and outside our company, and are reported to the Board of Directors 	• Kao Group			
Full transparency	% of consumer product brands for which people can easily access complete ingredients information			100%	2030	—
	A / B × 100 (%)	<ul style="list-style-type: none"> • A: The number of brands that satisfy the following conditions (brands): <ul style="list-style-type: none"> • The brands disclose information on chemical substances contained in more than the prescribed amount (their names and formulation purposes) • B: The number of all brands owned and marketed by the Kao Group (brands) 	• Consumer products of the Kao Group			
Respecting human rights	% response rate to human rights due diligence (internal risk assessment)			100%	2030	—
	A / B × 100 (%)	<ul style="list-style-type: none"> • A: The number of factories (factories) and companies (companies) that conduct due diligence assessments • B: The total number of factories (factories) and companies (companies) of the Kao Group 	• Factories and offices owned by the Kao Group			
	% response rate to human rights due diligence (supplier risk assessment)			100%	2030	—
	A / B × 100 (%)	<ul style="list-style-type: none"> • A: The number of suppliers that have conducted due diligence assessments in the last three years from the applicable year (suppliers) • B: The number of suppliers that Kao does business with in the applicable year (suppliers) 	• Direct materials suppliers of the Kao Group			
	% response rate to human rights due diligence (contractor risk assessment)			100%	2030	—
	A / B × 100 (%)	<ul style="list-style-type: none"> • A: The number of contractors that have conducted due diligence assessments in the last three years from the applicable year (contractors) • B: The number of contractors that Kao has contracted in the applicable year (contractors) 	• Contractors in factories and offices owned by the Kao Group			
Inclusive & diverse workplaces	Affirmative answer rate to a question on “Inclusion and Diversity” on <i>Find</i> , our employee survey with voice of employees			75%	2030	—
	A / B × 100 (%)	<ul style="list-style-type: none"> • A: The number of affirmative answers to a question on “Inclusion and Diversity” on <i>Find</i>, our employee survey with voice of employees (answers) • B: The total number of answers to a question on “Inclusion and Diversity” on <i>Find</i>, our employee survey with voice of employees (answers) 	• Employees of the Kao Group			
	% of female managers			Same as % of female employees	2030	—
	A / B × 100 (%)	<ul style="list-style-type: none"> • A: The number of female managers (persons) • B: The total number of managers (persons) 	<ul style="list-style-type: none"> • Employees of the Kao Group • All managers 			

Kirei Lifestyle Plan KPI definitions 103-1, 103-2, 103-3

Kao Actions	Indicator			Target value	Target year	Base year
	Formula	Factor	Scope			
Walking the right path						
Employee wellbeing & safety	Lost time accident frequency rate (per million hours worked)			0.1	2030	—
	A / B × 1,000,000 (persons / million hours)	<ul style="list-style-type: none"> • A: The number of dead and injured (persons who were absent 1 or more days from work and lost a part of body or function) (persons) • B: Total number of actual working hours (hours) 	• Employees of the Kao Group			
	Average number of lost long-term work days (days/person) * Starting from Japan			105	2030	—
	(A ₁ + A ₂ + ... + A _n) / B (days / person)	<ul style="list-style-type: none"> • A: The number of days of leave that satisfy following conditions (days): ① Extended leave of absence of 30 or more consecutive calendar days ② Personal illness or injury leave, absence from work or leave of absence, except for leave with pay ③ Applicable illness: Personal illness or injury • B: Total number of employees who took leaves of absence from work (persons) 	<ul style="list-style-type: none"> • Employees of the Kao Group in Japan * To expand to all employees of the Kao Group 			
	Ratio of employees who have lost long-term work days per one thousand employees * Starting from Japan			0.12	2030	—
	A / B × 1000 (%)	<ul style="list-style-type: none"> • A: The number of employees who took extended leaves of absence, satisfying the following conditions (persons): ① Extended leave of absence of 30 or more consecutive calendar days ② Personal illness or injury leave, absence from or leave of absence, except for leave with pay ③ Applicable illness: Personal illness or injury • B: Total number of employees (persons) 	<ul style="list-style-type: none"> • Employees of the Kao Group in Japan * To expand to all employees of the Kao Group 			
Human capital development	Affirmative answer rate to a question on “Development Opportunities & Climate” on Find, our employee survey with voice of employees			75%	2030	—
	A / B × 100 (%)	<ul style="list-style-type: none"> • A: The number of affirmative answers to a question on “Development Opportunities & Climate” on Find, our employee survey with voice of employees (answers) • B: The number of answers to a question on “Development Opportunities & Climate” on Find, our employee survey with voice of employees (answers) 	• Employees of the Kao Group			
	Affirmative answer rate to a question on “Engagement/Employer of Choice” on Find, our employee survey with voice of employees			75%	2030	—
	A / B × 100 (%)	<ul style="list-style-type: none"> • A: The number of affirmative answers to a question on “Engagement/Employer of Choice” on Find, our employee survey with voice of employees (answers) • B: The number of answers to a question on “Engagement/Employer of Choice” on Find, our employee survey with voice of employees (answers) 	• Employees of the Kao Group			
Responsible chemicals management	% of chemical products and raw materials with disclosed information of benefit and safety to ensure safe usage for our customers			100%	2030	—
	A / B × 100 (%)	<ul style="list-style-type: none"> • A: The number of chemical substances for which risk assessments are done and safety assessment documents are made, and are disclosed on the website (substances) • B: The number of Kao prioritized chemical substances selected from 2020 to 2030 according to production amounts, emissions amounts and public concern (substances) 	• Substances handled by the Kao Group			
	% of areas where impacts on health, environment and safety from chemicals are managed responsibly and sustainably considering their stages from raw materials procurements to disposal			100%	2030	—
	$\frac{(A_1 + A_2 + \dots + A_n) + \dots + (A_1 + A_2 + \dots + A_n)}{(B_1 + B_2 + \dots + B_n) + \dots + (B_1 + B_2 + \dots + B_n)} \times 100 (\%)$ D	<ul style="list-style-type: none"> • A: The number of items assessed by risk assessments for chemical substances (items) • B: The number of target items of risk assessments for chemical substances (items) • C: The number of factories (factories) • D: The number of target items of risk assessments (① Display of GHG at workplaces, ② Maintenance of SDS, ③ Qualitative assessment, ④ Measures to reduce risks) 	• Factories owned by the Kao Group			

External recognition

Kao's various initiatives which aim to contribute to the realization of a sustainable society have earned high recognition.

SRI indexes and evaluations

The latest status of our SRI indexes can be found on our website.



→ SRI indexes and evaluations (updated as needed)
www.kao.com/global/en/sustainability/recognition/

Environment

Date of award	Group recognized	Awards/details	Sponsoring organization
2019/02	Kao Industrial (Thailand)	Kao Industrial (Thailand) submits an annual report to Thailand's Responsible Care Management Committee. These efforts were recognized and the company received the Responsible Care Gold Award in 2019.	Responsible Care Management Committee (Thailand)
2019/06	Kao Corporation	The Kawasaki Plant was awarded with the Kawasaki City Distinguished Environmental Merit Award. This award is given to companies and citizens who have made remarkable achievements toward improving the local environment and so on, during Environmental Month held every June, and the Kawasaki Plant was recognized for its commitment for promoting global warming measures.	Kawasaki City, Kanagawa Prefecture
2019/06	Kao Corporation	Kao was selected to receive the Wakayama Environmental Award Grand Prize at the 18th Wakayama Environmental Awards Ceremony. This award recognizes companies for their outstanding performance in environmental conservation activities within Wakayama Prefecture.	Wakayama Prefecture
2019/06	Kao Corporation	Kao received the Minister of the Environment's Award in the Innovation section of the Umigomi (marine waste) Zero Awards. Regarding refill packs that are already commonly used in Japan, Kao developed and popularized the innovative <i>Raku-raku Eco Pack Refill</i> and in addition to adopting the Smart Holder design for easy bathroom or washroom sink storage, it was praised for cutting out the need for refills.	The Nippon Foundation Ministry of the Environment
2019/06	Kao Corporation	Kao received the Ministry of Economy, Trade and Industry Award at the 18th Green Sustainable Chemistry (GSC) Awards. Kao's development of <i>Lunajet</i> , a VOC-free water-based inkjet ink, proposed for its new value from an ESG perspective, received high praise.	Japan Association for Chemical Innovation
2019/06	Washing Systems	For its new wash process <i>TRUpath™</i> , aimed at WSI commercial laundry companies, the company won the Green Chemistry Challenge Award (GCCA) in 2019. This award, with its 23-year history, serves to connect potential environmental issues with business opportunities, and is bestowed to companies, organizations and individuals who have developed breakthroughs in green chemical technology promoting innovation and economic development.	U.S. Environmental Protection Agency (EPA) American Chemical Society (ACS)

Commitment to Society



→ Support for The United Nations Global Compact
www.kao.com/global/en/sustainability/our-approach-to-klp/globalcompact/

Date of award	Group recognized	Awards/details	Sponsoring organization
2019/11	Kao Corporation	Kao won the Prime Minister's Award, the grand prize at the 2019 3Rs (reduce, reuse and recycle) Promotion Merit Awards. This award recognizes efforts made toward the 3Rs, for the purpose of promoting the formation of a recycling-based society, in acknowledgement of companies that have achieved remarkable results through continuous activity. This time, the company received an award in the Business Establishments and Local Public Organizations field.	Reduce, Reuse and Recycle Promotion Council (3R Promotion Council)
2019/12	Kao Corporation	Kao won an award in the response strategy implementation and diffusion section of the 2019 Environment Minister's Award for Global Warming Prevention Activity, which recognizes individuals or organizations that have made significant achievements in the prevention of global warming. The Kao Eco-Lab Museum located at the Wakayama Plant was recognized for its efforts.	Ministry of the Environment
2019/12	Kao Corporation	Kao was given the Executive Committee Chairman's Award at the 2nd EcoPro Awards. The EcoPro Awards is an award institution highly recognized by businesses, consumers, investors and market participants in Japan, in consideration of socio-economic environmental changes, including global economization, the Paris Agreement and SDGs. It commends products, services, technology and solution business models that have demonstrated exceptional consideration for the environment. Kao was recognized for its RecyCreation efforts.	Japan Environmental Management Association for Industry
2019/12	PT Kao Indonesia Chemicals	The company was awarded the Blue Level company of Environment Evaluation Performance Program in Environmental Management. It was recognized for achieving a standard value in meeting all regulations and environmental targets.	Indonesia Ministry of Environment and Forestry

External recognition

Society

Date of award	Group recognized	Awards/details	Sponsoring organization
2019/01	Kao Corporation Shanghai	Recognized as a model enterprise for work safety standardization in the Minhang District, Shanghai, the company received the Award of Excellent in Safety Management and Safety Activities.	Emergency Management Bureau of Minhang District
2019/02	Kao Industrial (Thailand)	The company received the Thailand Labor Management Excellence Award, given to factories that meet the standard criteria of the Ministry of Labour Occupational Safety & Health Management.	Thailand Ministry of Labour
2019/02	Kao Chimigraf	Recognized for its innovation of Flexible LED inks for LFP, Cyclone ink received the bronze medal.	RemaDays Warsaw
2019/03	Kao Corporation	Hirosaki University's COI (Center of Innovation) received the Prime Minister's Award, the grand prize at the 1st Japan Open Innovation Awards. This was based on the evaluation of its "Using Super Multi-Item Big Health Data to Realize Healthy Future Innovation Project," an industrial-academia collaboration project with Hirosaki University's COI that had continued from its implementation in 2016.	Cabinet Office
2019/03	Kao Group Customer Marketing Kao Corporation	The KCMK Yamagata Office and Kao Corporation's Sakata Plant were certified as Excellent (Diamond) Companies by Yamagata's Iki Iki Child Care Support Businesses. The company was highly praised for creating a workplace where both men and women can work easily and actively promoting a healthy work-life balance.	Yamagata Prefecture
2019/05	Kao (Shanghai) Chemical Industries	The company was awarded as an Enterprise for Harmonious Labor Relations in Shanghai. It included evaluations on internal labor rule development, good employee welfare, and various other social responsibility activities.	Shanghai Municipal Human Resources and Social Security Bureau
2019/05	Kao Corporation	Kao was ranked first overall by the Nikkei's 100 Best Companies Where Women Play Active Part as well as first in diversity promotion. In addition to recognition for its large number of female managers and employees who continue to work after marriage or childbirth, it was also recognized for its support for balancing work and childcare responsibilities regardless of gender, efforts to promote LGBT understanding, and creating an easy to work environment for diverse employees, including women.	Nikkei Inc.
2019/08	Kao (Taiwan)	Received the Award of Excellence in Corporate Social Responsibility. The company was recognized for its corporate social responsibility (CRS) awareness-raising activities among Taiwanese companies.	CommonWealth Magazine
2019/10	Kao Corporation Shanghai	The Award of Good Factory was given in recognition of good reform and improvement activities with management framework: localization, production, safety, environment as the core, serving as a good example of other companies.	Japan Management Association (JMA)
2019/10	Kao Paper Manufacturing Fuji	At the Shizuoka Prefecture Fire Prevention Summit in 2019, Kao Paper Manufacturing Fuji's self-defense fire brigade was awarded with the Shizuoka Prefecture Crisis Management Director's Award for Prevention (Group). This award was given by the Shizuoka Prefecture Fire Department upon examination based on the Fuji City Fire Department's recommendation.	Shizuoka Prefecture

Date of award	Group recognized	Awards/details	Sponsoring organization
2019/11	PT Kao Indonesia Chemicals	Received the CSR Award. The company received this award for participation in the Citarum-Harum Program for flood prevention and cleaning up major rivers mostly located in West Java.	West Java, Indonesia
2019/11	Kao (Taiwan)	Received the Sustainable Performance Award at the Taiwan Corporate Sustainability Awards (TCSA).	Taiwan Institute for Sustainable Energy
2019/12	Kao Chimigraf	Kao Chimigraf's ink was awarded the Flexo Star 2019 Gold Award. This award is presented by ATF (French Technical Flexo Association) in recognition of special printing technology.	ATF (French Technical Flexo Association)
2019/12	Kao Corporation	Kao received the Prime Minister's Award for Leading Companies Where Women Shine from the Cabinet Office of Japan. This organization awards companies that have made significant achievements in disclosing information in regards to policies, initiatives and achievements toward promoting women as officers and managers.	Gender Equality Bureau Cabinet Office

Governance


Date of award	Group recognized	Awards/details	Sponsoring organization
2019/02	Kao Corporation	Kao received the JIPS for its third consecutive year for publishing a number of GSS. The company first received the highest JIPS Award, Grand Prize, followed by the Excellence Award the second, and then again the Grand Prize in 2019.	Japan Chemical Industry Association
2019/05	Kao Corporation	Kao's SCM Division received the RC Grand Prize as the top honor of the 13th Responsible Care (RC) Awards for its disaster prevention activities through evaluation of process safety. The SCM Division was highly regarded for significant reduction of fire and explosion accidents through its original enhanced disaster prevention activities, which were conducted throughout the entire company by collecting, analyzing and systematizing information about fire and explosion accidents within and outside the company, and for its attitude to broadly disclose information about its original safety and disaster prevention technologies.	Japan Chemical Industry Association
2019/10	Kao Corporation	Kao was ranked first within the toiletries and cosmetics category as part of the 2019 Award for Excellence in Corporate Disclosure. The company won this award during the first year the toiletries and cosmetics category was added to its industry evaluation in 2019.	The Securities Analysts Association of Japan
2019/11	Kao (Taiwan)	The company received a Certificate of Appreciation for Risk Management Technical Coaching during its work with the government to promote ISO 45001.	Industrial Development Bureau, Ministry of Economic Affairs of Taiwan
2019/12	Kao Corporation	The Kao Corporation was awarded the IR Excellence Award during the IR Award 2019 hosted by the Japan Investor Relations Association. This organization awards companies chosen with a deep understanding of the purpose of IR, who make active efforts which include gaining top support from market players, and have achieved great results.	Japan Investor Relations Association

Independent assurance report 102-56



Independent Assurance Report

To the President and CEO of Kao Corporation

We were engaged by Kao Corporation (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators marked with  (the “Indicators”) for the period from January 1, 2019 to December 31, 2019 included in its Kao Sustainability Data Book Kirei Lifestyle Plan Progress Report 2020 (the “Progress Report”) for the fiscal year ended December 31, 2019.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company's reporting criteria”), as described in the Progress Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Progress Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Progress Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting the Company's Kashima Plant and Kao Penang Group selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion


Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Progress Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Progress Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
June 15, 2020

With the aim of ensuring more transparent disclosure of data relating to environmental protection and data relating to health and safety, KPMG AZSA Sustainability Co., Ltd. provides independent assurance for this data book. Indicators on which assurance is provided are marked with a check .

Assured data

Category	Data	Pages
Responsibly sourced raw materials	Ratio of certified paper/pulp materials (paper/pulp used in Kao products [excludes some products])	P75
	Certified palm oil purchases (Kao Group)	P76
Decarbonization	Energy consumption (all sites)	P88
	CO ₂ emissions across the entire product lifecycle (Kao Group)	P88
	CO ₂ emissions across the entire product lifecycle (Kao Group in Japan)	P88
	GHG emissions (all sites)	P88
	Scope 1 CO ₂ emissions	P89
	Scope 2 CO ₂ emissions	P89
	Scope 3 CO ₂ emissions *1,4,11,12	P89
Zero waste	CO ₂ emission during distribution (Japan)	P94
	Amount of waste reused or recycled (all sites)	P109
	Amount of generated waste and other unwanted materials (all sites)	P109
Water conservation	Water consumption across the entire product lifecycle (Kao Group)	P121
	Water consumption during product use (Kao Group in Japan)	P121
	Water consumption (withdrawal) (all sites)	P121
	Water withdrawal amount by source	P121
Air & water pollution prevention	Wastewater discharge by destination	P121
	NOx emissions (all production sites)	P127
	Volatile organic compound (VOC) emissions (Kao Group in Japan)	P127
Product lifecycle and environmental impact	COD pollution load (all production sites)	P127
	Output: Material procurement: CO ₂ emissions Output: Development/Manufacturing: GHG emissions Output: Distribution/Sales (facilities and company cars): GHG emissions Output: Distribution (transportation): CO ₂ emissions Output: Use: CO ₂ emissions Output: Disposal/Recycling: CO ₂ emissions	P130
Employee wellbeing & safety	Lost time accidents frequency rate: Including both regular employees and temporary workers (Kao Group)	P187
	Lost time accidents frequency rate: Subcontractors (Kao Group)	P187
	Number of employees who experienced lost work days due to occupational diseases: Including both regular employees and temporary workers (Kao Group)	P188

Scope of Assurance

In general, we report the activities of the Kao Group (Kao Corporation and its subsidiaries). Exceptions to this scope have been clearly stated as graph's annotations and in the text.

GRI Standards table 102-55

This data book has been compiled with reference to the GRI Sustainability Reporting Standards.

General disclosures

100: Universal Standards				
GRI 102: General Disclosures 2016				
1. Organizational profile		Relevant Sections in Data Book (★ denotes an appendix)		
	102-1	Name of the organization	●Kao Group Overview (external link)	—
	102-2	Activities, brands, products, and services	●Kao Group Fields of Business (external link)	—
	102-3	Location of headquarters	●Kao Group Overview (external link)	—
	102-4	Location of operations	●Kao Group Overview (external link)	—
	102-5	Ownership and legal form	●Kao Group Overview (external link)	—
	102-6	Markets served	●Global Locations (external link)	—
	102-7	Scale of the organization	●Kao Group Overview (external link)	—
	102-8	Information on employees and other workers	●Human capital development: Framework ●Inclusive & diverse workplaces: Human capital data	P154 P173
	102-9	Supply chain	—	—
	102-10	Significant changes to the organization and its supply chain	—	—
	102-11	Precautionary Principle or approach	●Responsible chemicals management: Kao's creating value to address social issues ●Responsible chemicals management: Comprehensive Management System for Chemical Substances ●Responsible chemicals management: Mid- to long-term targets and performance ★Information security: Kao's creating value to address social issues ★Process Safety and Disaster Prevention: Policies ★Process Safety and Disaster Prevention: Framework/Mid- to long-term targets and performance ★Process safety and disaster prevention: Emergency response drills to prepare for large-scale disasters ★Process safety and disaster prevention: Disaster prevention audits/Strengthening process safety and disaster prevention	P192 P195 P196 ★ ★ ★ ★ ★
	102-12	External initiatives	●Kirei Lifestyle Plan—Kao's ESG Strategy ●"Contributions to the SDGs" in each section ●Responsibly sourced raw materials: Kao vendor summits ●Decarbonization: Efforts in raw materials procurement ●Decarbonization: Examples of major collaboration projects with stakeholders ●Water conservation: Efforts in raw materials procurement ●Water conservation: Implementing education and activities based on "eco together" ●Inclusive & diverse workplaces: Collaboration with stakeholders ★Information security: Fourth Quarter: Improvement activities ★Biodiversity: Kao's creating value to address social issues ★Biodiversity: Compliance with international agreements	P24 P79 P90 P96 P122 P124 P170 ★ ★ ★
	102-13	Membership of associations	●Safer healthier products: Industry association activities/communication (the Japan Cosmetic Industry Association, the Japan Soap and Detergent Association and the Japan Chemical Industry Association) ●Responsibly sourced raw materials: Initiatives toward sustainable procurement of palm oil and palm kernel oil (RSPO, SUSTAIN, JaSPON) ●Responsible chemicals management: Communication about chemicals with stakeholders (JIPS, LRI) ★Tax strategies: Collaboration with the Japan Chemical Industry Association (JCIA) ★Biodiversity: Compliance with international agreements (JaSPON)	P58 P76 P198 ★ ★

GRI Standards table 102-55

100: Universal Standards				
GRI 102: General Disclosures 2016				
2. Strategy		Relevant Sections in Data Book (★ denotes an appendix)		
	102-14	Statement from senior decision-maker	<ul style="list-style-type: none"> ● CEO Message ● Message by Dave Muenz 	P4 P6
	102-15	Key impacts, risks, and opportunities	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy: Business growth through the realization of the Kirei Lifestyle ● Kirei Lifestyle Plan—Kao's ESG Strategy: Kao's vision for society and what Kao aims to be by 2030 ● Kirei Lifestyle Plan—Kao's ESG Strategy: Performance in 2019 ● Kirei Lifestyle Plan—Kao's ESG Strategy: Focus on global mega-trends ● Kirei Lifestyle Plan—Kao's ESG Strategy: Kao's ESG Commitments ● "Kao's creating value to address social issues" in each section ● Decarbonization: Scenario Analysis ● Responsible chemicals management: Comprehensive Management System for Chemical Substances ★ Risk and crisis management: Kao's creating value to address social issues ★ Risk and crisis management: Framework ★ Risk and crisis management: Mid- to long-term targets and performance ★ Intellectual property: Our initiatives ★ Process safety and disaster prevention: Emergency response drills to prepare for large-scale disasters ★ Process safety and disaster prevention: Disaster prevention audits/Strengthening process safety and disaster prevention 	P10 P11 P22 P23 P26 P97 P195 ★ ★ ★ ★ ★ ★
3. Ethics and integrity				
	102-16	Values, principles, standards, and norms of behavior	<ul style="list-style-type: none"> ● Kao's Corporate Philosophy ● Kirei Lifestyle Plan—Kao's ESG Strategy ● Realization of the Kao Corporate Philosophy ● Effective corporate governance: Kao's creating value to address social issues/Policies 	P5 P7 P36 P134
	102-17	Mechanisms for advice and concerns about ethics	<ul style="list-style-type: none"> ● Effective corporate governance: Compliance Hotlines 	P142
4. Governance				
	102-18	Governance structure	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy: ESG promotion structure ★ Corporate governance: Corporate governance structure ★ Corporate governance: Board of Directors and Audit & Supervisory Board 	P14 ★ ★
	102-19	Delegating authority	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy: ESG promotion structure 	P14
	102-20	Executive-level responsibility for economic, environmental, and social topics	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy: ESG promotion structure ● Responsibly sourced raw materials: Framework ● Decarbonization: Framework ● Zero waste: Framework ● Water conservation: Framework ● Effective corporate governance: Framework ● Respecting human rights: Framework ● Human capital development: Framework ● Responsible chemicals management: Framework ★ Risk and crisis management: Framework ★ Responsible care activities: Framework ★ Product quality management: Framework ★ Information security: Framework ★ Advanced Digital Technology Strategy: Framework ★ Intellectual property: Framework ★ Process Safety and Disaster Prevention: Framework 	P14 P73 P86 P107 P120 P135 P147 P154 P193 ★ ★ ★ ★ ★ ★ ★
	102-21	Consulting stakeholders on economic, environmental, and social topics	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy: ESG promotion structure 	P14

GRI Standards table 102-55

100: Universal Standards

GRI 102: General Disclosures 2016

4. Governance			Relevant Sections in Data Book (★ denotes an appendix)	
	102-22	Composition of the highest governance body and its committees	★Corporate governance: Corporate governance reform ★Corporate governance: Corporate governance structure ★Corporate governance: Board of Directors and Audit & Supervisory Board ★Corporate governance: Committee for the Examination of Nominees for Directors and Compensation Advisory Committee	★ ★ ★ ★
	102-23	Chair of the highest governance body	★Corporate governance: Corporate governance reform ★Corporate governance: Committee for the Examination of Nominees for Directors and Compensation Advisory Committee	★ ★
	102-24	Nominating and selecting the highest governance body	★Corporate governance: Corporate governance structure ★Corporate governance: Committee for the Examination of Nominees for Directors and Compensation Advisory Committee	★ ★
	102-25	Conflicts of interest	★Corporate governance: Board of Directors and Audit & Supervisory Board	★
	102-26	Role of highest governance body in setting purpose, values, and strategy	●Kirei Lifestyle Plan—Kao's ESG Strategy: ESG promotion structure ★Corporate governance: Basic Approach to Corporate Governance ★Corporate governance: Corporate governance structure ★Corporate governance: Board of Directors and Audit & Supervisory Board	P14 ★ ★ ★
	102-27	Collective knowledge of highest governance body	—	—
	102-28	Evaluating the highest governance body's performance	★Corporate governance: Evaluation of the effectiveness of the Board of Directors	★
	102-29	Identifying and managing economic, environmental, and social impacts	●Kirei Lifestyle Plan—Kao's ESG Strategy: ESG promotion structure ★Risk and crisis management: Policies ★Risk and crisis management: Framework	P14 ★ ★
	102-30	Effectiveness of risk management processes	★Risk and crisis management: Policies ★Risk and crisis management: Framework ★Risk and crisis management: Performance in 2019	★ ★ ★
	102-31	Review of economic, environmental, and social topics	●Kirei Lifestyle Plan—Kao's ESG Strategy: ESG promotion structure	P14
	102-32	Highest governance body's role in sustainability reporting	—	—
	102-33	Communicating critical concerns	★Risk and crisis management: Framework	★
	102-34	Nature and total number of critical concerns	★Process safety and disaster prevention: Disaster prevention audits	★
	102-35	Remuneration policies	★Corporate governance: Compensation system for Directors, Audit & Supervisory Board Members and Executive Officers	★
	102-36	Process for determining remuneration	★Corporate governance: Compensation system for Directors, Audit & Supervisory Board Members and Executive Officers	★
	102-37	Stakeholders' involvement in remuneration	★Corporate governance: Compensation system for Directors, Audit & Supervisory Board Members and Executive Officers	★
	102-38	Annual total compensation ratio	—	—
	102-39	Percentage increase in annual total compensation ratio	—	—

GRI Standards table 102-55

100: Universal Standards				
GRI 102: General Disclosures 2016				
5. Stakeholder engagement		Relevant Sections in Data Book (★ denotes an appendix)		
	102-40	List of stakeholder groups	● Stakeholder Engagement	P34
	102-41	Collective bargaining agreements	—	—
	102-42	Identifying and selecting stakeholders	—	—
	102-43	Approach to stakeholder engagement	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy: Employee engagement ● Stakeholder Engagement ● "Collaboration and engagement with stakeholders" in each section ● Habits for cleanliness, beauty & health: Educational program to cultivate habits for cleanliness, beauty & health ● Universal product design: Principal collaboration with government in 2019 ● Safer healthier products: Industry association activities/communication ● Sustainable lifestyle promotion: Disseminating information related to sustainable living ● Sustainable lifestyle promotion: Offering opportunities for hands-on learning ● Sustainable lifestyle promotion: Awareness-raising activities carried out with society, organizations and public institutions ● Responsibly sourced raw materials: Initiatives toward sustainable procurement of palm oil and palm kernel oil ● Responsibly sourced raw materials: Kao vendor summits ● Responsibly sourced raw materials: Surveying supplier satisfaction ● Decarbonization: Education and promotion ● Decarbonization: Efforts in raw materials procurement ● Decarbonization: Examples of major collaboration projects with stakeholders ● Zero waste: Our initiatives ● Water conservation: Education and promotion ● Water conservation: Our initiatives ● Air & water pollution prevention: Measures relating to wastewater after product use ● Effective corporate governance: Evaluation activities/Sharing our insights on compliance with outside groups ● Human capital development: Implementation of the employee survey <i>Find</i>, and drafting of action plans ● Inclusive & diverse workplaces: Collaboration with stakeholders ● Employee wellbeing & safety: Collaboration with stakeholders ● Employee wellbeing & safety: Implementation of the Children's Road Safety Class as a local contribution activity ● Responsible chemicals management: Communication about chemicals with stakeholders ★ Responsible care activities: Publishing a PR magazine to deepen communication with society (Wakayama Plant) ★ Information security: Collaboration with stakeholders ★ Biodiversity: Collaboration with other organization ★ Communication with consumers: Our initiatives ★ Corporate citizenship activities: Support for cancer education through the Pink Ribbon Campaign ★ Process Safety and Disaster Prevention: National Forum for Disaster Cooperation Ideas 	P19 P34 P49 P55 P58 P63 P64 P64 P76 P79 P80 P85 P90 P96 P111 P119 P122 P129 P143 P160 P170 P183 P191 P198 ★ ★ ★ ★ ★ ★

GRI Standards table 102-55

100: Universal Standards				
GRI 102: General Disclosures 2016				
	102-44	Key topics and concerns raised	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy: Main deliberated items (2019) ● Kirei Lifestyle Plan—Kao's ESG Strategy: Message from the ESG External Advisory Board ● Universal product design: Message from External Expert ● Responsibly sourced raw materials: Message from External Expert ● Zero waste: Message from External Expert ● Human capital development: Dialogue with employees 	P15 P16 P56 P81 P116 P157
6. Reporting practice			Relevant Sections in Data Book (★ denotes an appendix)	
	102-45	Entities included in the consolidated financial statements	—	—
	102-46	Defining report content and topic Boundaries	—	—
	102-47	List of material topics	● Kirei Lifestyle Plan—Kao's ESG Strategy: Kao's ESG Commitments and Actions	P9
	102-48	Restatements of information	<ul style="list-style-type: none"> ● Decarbonization: Performance in 2019: Energy consumption (all sites) ● Decarbonization: Performance in 2019: GHG emissions (all sites) ● Decarbonization: Performance in 2019: Scope 2 CO₂ emissions ● Zero waste: Performance in 2019: Usage and reduction volume of plastic in refill and replacement categories 	P88 P88 P89 P110
	102-49	Changes in reporting	—	—
	102-50	Reporting period	● Editorial Policy	P3
	102-51	Date of most recent report	● Editorial Policy	P3
	102-52	Reporting cycle	● Editorial Policy	P3
	102-53	Contact point for questions regarding the report	—	Back cover
	102-54	Claims of reporting in accordance with the GRI Standards	— (This data book has been compiled with reference to the GRI Standards 2016, GRI 207: 2019 taxes, GRI 303: Water and Effluents 2018 and GRI 403: Occupational Health and Safety 2018)	—
	102-55	GRI content index	● GRI standards table	P210
	102-56	External assurance	<ul style="list-style-type: none"> ● Editorial Policy ● Independent assurance report 	P3 P209
GRI 103: Management Approach 2016				
	103-1	Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy: Mid- to long-term targets ● Kirei Lifestyle Plan—Kao's ESG Strategy: Impacts on society through the value chain ● Kirei Lifestyle Plan—Kao's ESG Strategy: Kao's ESG Commitments and Actions ● The Management part in each section ● Kirei Lifestyle Plan KPI definitions 	P20 P25 P9 P202
	103-2	The management approach and its components	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy: Selection process for the Kao Actions as material themes ● Kirei Lifestyle Plan—Kao's ESG Strategy: Mid- to long-term targets ● Kirei Lifestyle Plan—Kao's ESG Strategy: Kao's ESG Commitments and Actions ● Kirei Lifestyle Plan KPI definitions ● The Management part in each section ★ Major sustainability indicators 	P12 P20 P9 P202 ★
	103-3	Evaluation of the management approach	<ul style="list-style-type: none"> ● Kirei Lifestyle Plan—Kao's ESG Strategy: Selection process for the Kao Actions as material themes ● Kirei Lifestyle Plan—Kao's ESG Strategy: Mid- to long-term targets ● Kirei Lifestyle Plan KPI definitions ● The Management part in each section ★ Major sustainability indicators 	P12 P20 P202 ★

GRI Standards table 102-55

Materials

200: Economic topics					
Economic Performance			Relevant Sections in Data Book (★ denotes an appendix)		Indicators on which third-party assurance is provided (✓)
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	—	—	
	201-2	Financial implications and other risks and opportunities due to climate change	● Decarbonization: Scenario Analysis	P97	
	201-3	Defined benefit plan obligations and other retirement plans	—	—	
	201-4	Financial assistance received from government	—	—	
Market Presence					
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	—	—	
	202-2	Proportion of senior management hired from the local community	—	—	
Indirect Economic Impacts					
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	★ Corporate citizenship activities: Mid- to long-term targets and performance ★ Corporate citizenship activities: Making my everyday more beautiful ★ Corporate citizenship activities: The China water conservation campaign	★ ★ ★	
	203-2	Significant indirect economic impacts	—	—	
Procurement Practices					
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	—	—	
Anti-corruption					
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	—	—	
	205-2	Communication and training about anti-corruption policies and procedures	● Effective corporate governance: Education and promotion ● Effective corporate governance: Activities to reduce compliance risks/ Amending the Kao Business Conduct Guidelines (BCG) ● Effective corporate governance: Deployment of the BCG Casebook and other compliance-related rules/Compliance education/Compliance Awareness Month	P135 P140 P141	
	205-3	Confirmed incidents of corruption and actions taken	— (P142 Response to compliance violations, and legal violations in 2019: No applicable incidents)	—	
Anti-competitive Behavior					
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	— (P142 Response to compliance violations, and legal violations in 2019: No applicable incidents)	—	
Tax					
GRI 207: Tax 2019	207-1	Approach to tax	—	—	
	207-2	Tax governance, control, and risk management	—	—	
	207-3	Stakeholder engagement and management of concerns related to tax	—	—	
	207-4	Country-by-country reporting	● Tax strategies: Performance report and tax payment record	★	
300: Environmental topics					
Materials			Relevant Sections in Data Book (★ denotes an appendix)		Indicators on which third-party assurance is provided (✓)
GRI 301: Materials 2016	301-1	Materials used by weight or volume	● Product lifecycle and environmental impact	P130	
	301-2	Recycled input materials used	● Zero waste: Performance in 2019 ● Zero waste: Measures taken in relation to our products ● Zero waste: Initiatives targeting and packaging	P109 P111 P111	
	301-3	Reclaimed products and their packaging materials	● Zero waste: Measures taken in relation to our products/Initiatives targeting and packaging	P111	

GRI Standards table 102-55

300: Environmental topics					
Energy			Relevant Sections in Data Book (★ denotes an appendix)		Indicators on which third-party assurance is provided (✓)
GRI 302: Energy 2016	302-1	Energy consumption within the organization	<ul style="list-style-type: none"> ● Decarbonization: Mid- to long-term targets and performance ● Decarbonization: Performance in 2019 ● Product lifecycle and environmental impact 	P87 P88 P130	
	302-2	Energy consumption outside of the organization	—	—	
	302-3	Energy intensity	<ul style="list-style-type: none"> ● Decarbonization: Mid- to long-term targets and performance ● Decarbonization: Performance in 2019 	P87 P88	
	302-4	Reduction of energy consumption	<ul style="list-style-type: none"> ● Decarbonization: Mid- to long-term targets and performance ● Decarbonization: Performance in 2019 ● Decarbonization: Efforts in manufacturing (plants, offices, logistics centers) 	P87 P88 P92	
	302-5	Reductions in energy requirements of products and services	<ul style="list-style-type: none"> ● Decarbonization: Mid- to long-term targets and performance ● Decarbonization: Performance in 2019 	P87 P88	
Water					
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	<ul style="list-style-type: none"> ● Water conservation: Kao's creating value to address social issues ● Water conservation: Policies ● Water conservation: Mid- to long-term targets and performance ● Water conservation: Performance in 2019 	P117 P119 P120 P121	
	303-2	Management of water discharge-related impacts	<ul style="list-style-type: none"> ● Water conservation: Policies ● Water conservation: Mid- to long-term targets and performance ● Water conservation: Performance in 2019 ● Air & water pollution prevention: Policies ● Air & water pollution prevention: Performance in 2019 ● Air & water pollution prevention: Our initiatives 	P119 P120 P121 P126 P127 P128	
	303-3	Water withdrawal	<ul style="list-style-type: none"> ● Water conservation: Mid- to long-term targets and performance ● Water conservation: Performance in 2019 ● Product lifecycle and environmental impact 	P120 P121 P130	✓
	303-4	Water discharge	<ul style="list-style-type: none"> ● Water conservation: Mid- to long-term targets and performance ● Water conservation: Performance in 2019 ● Air & water pollution prevention: Performance in 2019 ● Product lifecycle and environmental impact 	P120 P121 P127 P130	✓
	303-5	Water consumption	<ul style="list-style-type: none"> ● Water conservation: Mid- to long-term targets and performance ● Water conservation: Performance in 2019 ● Product lifecycle and environmental impact 	P120 P121 P130	✓
Biodiversity					
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	★ Biodiversity: Business activities with consideration for the local ecosystem	★	
	304-2	Significant impacts of activities, products, and services on biodiversity	★ Biodiversity: Understanding relationships between business and biodiversity ★ Biodiversity: Business activities with consideration for the local ecosystem	★ ★	
	304-3	Habitats protected or restored	★ Biodiversity: Business activities with consideration for the local ecosystem ★ Corporate citizenship activities: FURUSATO Environment Conservation Project in Northern Thailand ★ Corporate citizenship activities: Kao Creating Forests for Everyone program	★ ★ ★	
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	—	—	

GRI Standards table 102-55

300: Environmental topics					
Emissions			Relevant Sections in Data Book (★ denotes an appendix)		Indicators on which third-party assurance is provided (✓)
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	<ul style="list-style-type: none"> Decarbonization: Mid- to long-term targets and performance Decarbonization: Performance in 2019 Product lifecycle and environmental impact 	P87 P88 P130	✓ ✓
	305-2	Energy indirect (Scope 2) GHG emissions	<ul style="list-style-type: none"> Decarbonization: Mid- to long-term targets and performance Decarbonization: Performance in 2019 Product lifecycle and environmental impact 	P87 P88 P130	✓ ✓
	305-3	Other indirect (Scope 3) GHG emissions	<ul style="list-style-type: none"> Decarbonization: Mid- to long-term targets and performance Decarbonization: Performance in 2019 Decarbonization: Efforts in distribution Decarbonization: Efforts during use Decarbonization: Efforts in disposal and recycling Product lifecycle and environmental impact 	P87 P88 P94 P95 P96 P130	✓ (1, 4, 11, 12) ✓
	305-4	GHG emissions intensity	<ul style="list-style-type: none"> Decarbonization: Mid- to long-term targets and performance Decarbonization: Performance in 2019 	P87 P88	
	305-5	Reduction of GHG emissions	<ul style="list-style-type: none"> Decarbonization: Mid- to long-term targets and performance Decarbonization: Performance in 2019 	P87 P88	✓
	305-6	Emissions of ozone-depleting substances (ODS)	<ul style="list-style-type: none"> Decarbonization: 3. Reducing the volume of leaked refrigerants and other greenhouse gases 	P93	
	305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	<ul style="list-style-type: none"> Air & water pollution prevention: Performance in 2019 Product lifecycle and environmental impact 	P127 P130	✓
Effluents and Waste					
GRI 306: Effluents and Waste 2016	306-1	Water discharge by quality and destination	<ul style="list-style-type: none"> Water conservation: Mid- to long-term targets and performance Water conservation: Performance in 2019 	P120 P121	✓
	306-2	Waste by type and disposal method	<ul style="list-style-type: none"> Zero waste: Performance in 2019 Waste Product lifecycle and environmental impact 	P109 P130	✓
	306-3	Significant spills	— (P127 Compliance with environmental legislation: No applicable incidents)	—	
	306-4	Transport of hazardous waste	—	—	
	306-5	Water bodies affected by water discharges and/or runoff	—	—	
Environmental Compliance					
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	— (P127 Compliance with environmental legislation: No applicable incidents)	—	
Supplier Environmental Assessment					
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	—	—	
	308-2	Negative environmental impacts in the supply chain and actions taken	<ul style="list-style-type: none"> Responsibly sourced raw materials: Initiatives toward sustainable procurement of palm oil and palm kernel oil Responsibly sourced raw materials: Using Sedex in supplier monitoring Decarbonization: Efforts in raw materials procurement Zero waste: Assessment of environmental impact on society Water conservation: Efforts in raw materials procurement 	P76 P78 P90 P114 P122	

GRI Standards table 102-55

400: Social topics					
Employment			Relevant Sections in Data Book (★ denotes an appendix)		Indicators on which third-party assurance is provided (✓)
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	● Inclusive & diverse workplaces: Human capital data	P173	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	—	—	
	401-3	Parental leave	● Inclusive & diverse workplaces: Human capital data	P173	
Labor/Management Relations					
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	—	—	
Occupational Health and Safety					
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	● Employee wellbeing & safety: Framework ★ Responsible care activities: Utilization of environmental and safety database ★ Responsible care activities: Status of international management system certification ★ Process Safety and Disaster Prevention: Framework	P186 ★ ★ ★	
	403-2	Hazard identification, risk assessment, and incident investigation	● Employee wellbeing & safety: Mid- to long-term targets and performance ● Employee wellbeing & safety: Status of occupational accident occurrences/Risk assessments of chemical substances ● Employee wellbeing & safety: Creating a pleasant working environment for employees ★ Responsible care activities: Implementation status of the RC Promotion Committee Secretariat Audit ★ Responsible care activities: Implementation of Safety Awareness Survey ★ Process Safety and Disaster Prevention: Disaster prevention audits/ Strengthening process safety and disaster prevention ★ Process Safety and Disaster Prevention: High-pressure gas safety inspection, auditing, and verification	P186 P190 P191 ★ ★ ★ ★	
	403-3	Occupational health services	—	—	
	403-4	Worker participation, consultation, and communication on occupational health and safety	● Employee wellbeing & safety: Mid- to long-term targets and performance ● Employee wellbeing & safety: Expansion of the “no accidents with lost work days award system” improving safety awareness ● Employee wellbeing & safety: Sharing safety messages globally ★ Responsible care activities: Implementation of Safety Awareness Survey	P186 P190 P191 ★	
	403-5	Worker training on occupational health and safety	● Employee wellbeing & safety: Education and promotion ★ Responsible care activities: Education and promotion ★ Responsible care activities: Standardization of RC activities ★ Process Safety and Disaster Prevention: Education and promotion ★ Process Safety and Disaster Prevention: Emergency response drills to prepare for large-scale disasters	P185 ★ ★ ★ ★	
	403-6	Promotion of worker health	● Employee wellbeing & safety: Employee wellbeing	P175	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	—	—	
	403-8	Workers covered by an occupational health and safety management system	—	—	
	403-9	Work-related injuries	● Employee wellbeing & safety: Mid- to long-term targets and performance ● Employee wellbeing & safety: Performance in 2019 ★ Process safety and disaster prevention: Performance in 2019	P186 P187 ★	✓ (Partial data)
	403-10	Work-related ill health	● Employee wellbeing & safety: Mid- to long-term targets and performance ● Employee wellbeing & safety: Performance in 2019	P186 P187	✓ (Partial data)

GRI Standards table 102-55

400: Social topics					
Training and Education			Relevant Sections in Data Book (★ denotes an appendix)		Indicators on which third-party assurance is provided (✓)
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	● Human capital development: Performance in 2019	P157	
	404-2	Programs for upgrading employee skills and transition assistance programs	● Kirei Lifestyle Plan—Kao's ESG Strategy: Employee engagement ● "Education and promotion" in each section ● Realization of the Kao Corporate Philosophy: Education and promotion ● Universal product design: Promoting employee UD understanding ● Responsibly sourced raw materials: Examples of education and promotion ● Zero waste: Spreading internal awareness of zero waste ● Effective corporate governance: Performance in 2019 ● Effective corporate governance: Compliance education ● Human capital development ● Inclusive & diverse workplaces: LGBT training ● Inclusive & diverse workplaces: Support for self-directed career development ● Inclusive & diverse workplaces: Seminars for employees returning from childcare leave/F&M (Fathers & Mothers) Meetings ● Inclusive & diverse workplaces: Main support for balancing work and childcare responsibilities ● Responsible chemicals management: Internal education on chemicals ★ Product quality management: Strengthening of Quality Management Education Programs ★ Information security: Holding of the 26th TS & Personal Information Protection Promotion Meeting ★ Communication with consumers: Internal education for deeper understanding of consumers	P19 P37 P55 P80 P114 P138 P141 P151 P165 P167 P169 P170 P198 ★ ★ ★	
	404-3	Percentage of employees receiving regular performance and career development reviews	—	—	
Diversity and Equal Opportunity					
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	● Inclusive & diverse workplaces: Promoting better understanding of disability and promoting the employment of persons with disabilities ● Inclusive & diverse workplaces: Fostering active participation by senior human capital ● Inclusive & diverse workplaces: Human capital data	P166 P167 P173	
	405-2	Ratio of basic salary and remuneration of women to men	—	—	
Non-discrimination					
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	—	—	
Freedom of Association and Collective Bargaining					
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	—	—	
Child Labor					
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	—	—	
Forced or Compulsory Labor					
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	—	—	
Security Practices					
GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	—	—	
Rights of Indigenous Peoples					
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	—	—	

GRI Standards table 102-55

400: Social topics					
Human Rights Assessment			Relevant Sections in Data Book (★ denotes an appendix)		Indicators on which third-party assurance is provided (✓)
GRI 412: Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	<ul style="list-style-type: none"> ● Respecting human rights: Mid- to long-term targets and performance ● Respecting human rights: Performance in 2019 ● Respecting human rights: Human rights due diligence process 	P148 P149 P150	
	412-2	Employee training on human rights policies or procedures	<ul style="list-style-type: none"> ● Respecting human rights: Mid- to long-term targets and performance ● Respecting human rights: Performance in 2019 ● Respecting human rights: Human rights due diligence process and Internal human rights education 	P148 P149 P150	
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	<ul style="list-style-type: none"> ● Respecting human rights: Mid- to long-term targets and performance ● Respecting human rights: Performance in 2019 ● Respecting human rights: Human rights due diligence process 	P148 P149 P150	
Local Communities					
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	<ul style="list-style-type: none"> ● Responsible chemicals management: Communication about chemicals with stakeholders ★ Corporate citizenship activities: Education for the next-generation through providing education in the classroom and educational materials ★ Corporate citizenship activities: Support for school education through plant and museum tours ★ Corporate citizenship activities: Environmental education and awareness-raising activities through direct communication ★ Corporate citizenship activities: The China water conservation campaign 	P198 ★ ★ ★ ★	
	413-2	Operations with significant actual and potential negative impacts on local communities	—	—	
Supplier Social Assessment					
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	<ul style="list-style-type: none"> ● Respecting human rights: Human rights due diligence process 	P150	
	414-2	Negative social impacts in the supply chain and actions taken	<ul style="list-style-type: none"> ● Responsibly sourced raw materials: Initiatives toward sustainable procurement of palm oil and palm kernel oil ● Responsibly sourced raw materials: Using Sedex in supplier monitoring ● Respecting human rights: Human rights due diligence process 	P76 P78 P150	
Public Policy					
GRI 415: Public Policy 2016	415-1	Political contributions	— (P142 Response to compliance violations, and legal violations in 2019: Report confirming that no political donations have been made)	—	
Customer Health and Safety					
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	<ul style="list-style-type: none"> ● Universal product design: Mid- to long-term targets and performance ● Universal product design: Performance in 2019 ● Safer healthier products: Safe and reliable ingredient use and information disclosure ● Sustainable lifestyle promotion: Solving problems through manufacturing and products themselves ● Purpose driven brands: Recently developed products and technology ★ Product quality management: Company-wide consumer- and customer-driven quality management activities ★ Product quality management: Verifying quality management activities through audits and self-checks ★ Product quality management: Safety management across the product lifecycle 	P52 P53 P58 P62 P67 ★ ★ ★	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	— (“Product recall over the last 4 years” section of the Product quality management appendix: Report noting that no product recalls have been made within the past four years)	★	

GRI Standards table 102-55

400: Social topics					
Marketing and Labeling			Relevant Sections in Data Book (★ denotes an appendix)		Indicators on which third-party assurance is provided (✓)
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	<ul style="list-style-type: none"> ● Universal product design: Mid- to long-term targets and performance ● Universal product design: Performance in 2019 ● Universal product design: Our products launched in 2019 incorporated UD considerations ● Universal product design: Initiatives to prevent ingestion accidents among the elderly ● Safer healthier products: Safe and reliable ingredient use and information disclosure ● Product lifecycle and environmental impact: Expansion of the range of products that display the “eco together” logo ● Full transparency: Considerations in the product catalog website and individual product websites ★ Communication with consumers: Framework ★ Communication with consumers: Mid- to long-term targets and performance ★ Communication with consumers: Performance in 2019 ★ Communication with consumers: The Kao Plaza community site for loyal Kao users ★ Communication with consumers: Support for raising children by expanding diaper vending machines in the Welcome Baby Project ★ Corporate citizenship activities: Barrier-free access to information 	P52 P53 P54 P55 P58 P131 P145 ★ ★ ★ ★ ★ ★	
	417-2	Incidents of non-compliance concerning product and service information and labeling	—	—	
	417-3	Incidents of non-compliance concerning marketing communications	—	—	
Customer Privacy					
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	—	—	
Socioeconomic Compliance					
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	<ul style="list-style-type: none"> ● Effective corporate governance: Response to compliance violations, and legal violations in 2019 	P142	

ISO 26000 table

Core subjects and issues	Relevant Sections in Data Book (★ denotes an appendix)
6.2 Organizational governance	● Kirei Lifestyle Plan—Kao's ESG Strategy ★ Corporate governance P7★
6.3 Human rights	● Respecting human rights ● Kao Business Conduct Guidelines (external link) P146—
6.3.3 Due diligence	● Kirei Lifestyle Plan—Kao's ESG Strategy ● Responsibly sourced raw materials ● Effective corporate governance ● Respecting human rights ● Employee wellbeing & safety P7 P72 P134 P146 P175
6.3.4 Human rights risk situations	● Respecting human rights ● Inclusive & diverse workplaces P146 P162
6.3.5 Avoidance of complicity	● Responsibly sourced raw materials ● Respecting human rights ● Employee wellbeing & safety P72 P146 P175
6.3.6 Resolving grievances	● Effective corporate governance ★ Communication with consumers P134★
6.3.7 Discrimination and vulnerable group	● Employee wellbeing & safety ★ Corporate citizenship activities P175★
6.3.8 Civil and political rights	● Effective corporate governance ● Human capital development P134 P151
6.3.9 Economic, social, and cultural rights	● Effective corporate governance ● Employee wellbeing & safety ★ Corporate citizenship activities P134 P175★
6.3.10 Fundamental principles and rights at work	● Effective corporate governance ● Human capital development P134 P151
6.4 Labour practices	
6.4.3 Employment and employment relationships	● Effective corporate governance ● Human capital development ● Inclusive & diverse workplaces ● Employee wellbeing & safety P134 P151 P162 P175

Core subjects and issues	Relevant Sections in Data Book (★ denotes an appendix)
6.4.4 Conditions of work and social protection	● Human capital development P151
6.4.5 Social dialogue	● Human capital development P151
6.4.6 Health and safety at work	● Employee wellbeing & safety ★ Responsible care activities ★ Process Safety and Disaster Prevention P175★ ★
6.4.7 Human development and training in the workplaces	● Human capital development P151
6.5 The environment	
6.5.3 Prevention of pollution	● Kirei Lifestyle Plan—Kao's ESG Strategy ● Making the world healthier & cleaner ● Responsible chemicals management P7 P82 P192
6.5.4 Sustainable resource use	● Kirei Lifestyle Plan—Kao's ESG Strategy ● Responsibly sourced raw materials ● Making the world healthier & cleaner P7 P72 P82
6.5.5 Climate change mitigation and adaptation	● Kirei Lifestyle Plan—Kao's ESG Strategy ● Making the world healthier & cleaner P7 P82
6.5.6 Protection of the environment, biodiversity and restoration of natural habitats	● Kirei Lifestyle Plan—Kao's ESG Strategy ● Responsibly sourced raw materials ● Making the world healthier & cleaner ★ Biodiversity P7 P72 P82★
6.6 Fair operating practices	
6.6.3 Anti-corruption	● Effective corporate governance ★ Corporate governance P134★
6.6.4 Responsible political involvement	● Effective corporate governance P134

ISO 26000 table

Core subjects and issues	Relevant Sections in Data Book (★ denotes an appendix)	
6.6.5 Fair competition	● Effective corporate governance ★ Corporate governance	P134 ★
6.6.6 Promoting social responsibility in the value chain	● Kirei Lifestyle Plan—Kao's ESG Strategy ● Responsibly sourced raw materials ● Effective corporate governance ★ Corporate governance ★ Communication with consumers	P7 P72 P134 ★ ★
6.6.7 Respect for property rights	● Effective corporate governance ★ Intellectual property	P134 ★
6.7 Consumer issues		
6.7.3 Fair marketing, factual and unbiased information and fair contractual practices	● Responsibly sourced raw materials ★ Communication with consumers	P72 ★
6.7.4 Protecting consumers' health and safety	★ Product quality management ★ Communication with consumers	★ ★
6.7.5 Sustainable consumption	● Making the world healthier & cleaner ● Zero waste ★ Communication with consumers	P82 P103 ★
6.7.6 Consumer service, support, and complaint and dispute resolution	★ Product quality management ★ Communication with consumers	★ ★
6.7.7 Consumer data protection and privacy	● Effective corporate governance ★ Information security	P134 ★
6.7.8 Access to essential services	★ Communication with consumers	★
6.7.9 Education and awareness	● Universal product design ● Making the world healthier & cleaner ★ Product quality management ★ Communication with consumers ★ Corporate citizenship activities	P50 P82 ★ ★ ★

Core subjects and issues	Relevant Sections in Data Book (★ denotes an appendix)	
6.8 Community involvement and development		
6.8.3 Community involvement	● Kirei Lifestyle Plan—Kao's ESG Strategy ● Making my everyday more beautiful ● Making thoughtful choices for society ● Making the world healthier & cleaner ★ Biodiversity	P7 P41 P59 P82 ★
6.8.4 Education and culture	● Making my everyday more beautiful ● Habits for cleanliness, beauty & health ● Sustainable lifestyle promotion ★ Biodiversity ★ Corporate citizenship activities	P41 P47 P60 ★ ★
6.8.5 Employment creation and skills development	★ Corporate citizenship activities	★
6.8.6 Technology development and access	● Making my everyday more beautiful ● Making thoughtful choices for society ● Making the world healthier & cleaner	P41 P59 P82
6.8.7 Wealth and income creation	● Making my everyday more beautiful ● Making thoughtful choices for society ● Walking the right path	P41 P59 P133
6.8.8 Health	● Employee wellbeing & safety ★ Corporate citizenship activities	P175 ★
6.8.9 Social investment	● Making my everyday more beautiful ● Making thoughtful choices for society ● Making the world healthier & cleaner ● Walking the right path	P41 P59 P82 P133

TCFD Index

This report has been compiled with reference to the recommendations for disclosure given by the Task Force on Climate-related Financial Disclosures (TCFD).

Governance

Disclose the organization's governance pertaining to climate-related risks and opportunities.		
Recommended disclosure content	Relevant Sections in Data Book (★ denotes an appendix)	
a) Framework of the Board of Directors' oversight of climate-related risks and opportunities	<ul style="list-style-type: none"> ●Decarbonization: Framework ●Water conservation: Framework ★Risk and crisis management: Framework 	P86 P120 ★
b) The role of management in assessing and managing climate-related risks and opportunities	<ul style="list-style-type: none"> ●Decarbonization: Framework ●Water conservation: Framework ★Risk and crisis management: Framework 	P86 P120 ★

Strategy

Recommendation: Disclose the actual or latent impact on the business, strategy, and financial planning of climate-related risks and opportunities if such information is important.		
Recommended disclosure content	Relevant Sections in Data Book (★ denotes an appendix)	
a) Climate-related risks and opportunities the organization has identified over the short-, mid- and long-term	<ul style="list-style-type: none"> ●Decarbonization: Risks and opportunities related to realization of our vision by 2030 ●Water conservation: Risks and opportunities related to realization of our vision by 2030 ★Risk and crisis management: Performance in 2019 	P84 P118 ★
b) Impact of climate-related risks and opportunities on the organization's business, strategy and financial planning	<ul style="list-style-type: none"> ●Decarbonization: Risks and opportunities related to realization of our vision by 2030 ●Decarbonization: Mid- to long-term targets and performance ●Water conservation: Risks and opportunities related to realization of our vision by 2030 ●Water conservation: Mid- to long-term targets and performance ★Risk and crisis management: Performance in 2019 	P84 P87 P118 P120 ★
c) Resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	<ul style="list-style-type: none"> ●Decarbonization: Risks and opportunities related to realization of our vision by 2030 ●Decarbonization: Scenario Analysis ●Water conservation: Risks and opportunities related to realization of our vision by 2030 	P84 P97 P118

Risk management

Recommendation: Disclose how the organization is identifying, evaluating, and controlling climate-related risks.		
Recommended disclosure content	Relevant Sections in Data Book (★ denotes an appendix)	
a) Organization's processes for identifying and assessing climate-related risks	<ul style="list-style-type: none"> ●Decarbonization: Framework ●Decarbonization: Scenario Analysis ●Water conservation: Framework ★Risk and crisis management: Policy ★Risk and crisis management: Framework ★Risk and crisis management: Performance in 2019 	P86 P97 P120 ★ ★ ★
b) Organization's processes for managing climate-related risks	<ul style="list-style-type: none"> ●Decarbonization: Framework ●Water conservation: Framework ★Risk and crisis management: Policy ★Risk and crisis management: Framework ★Risk and crisis management: Performance in 2019 	P86 P120 ★ ★ ★
c) How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	<ul style="list-style-type: none"> ●Decarbonization: Framework ●Water conservation: Framework ★Risk and crisis management: Policy ★Risk and crisis management: Framework 	P86 P120 ★ ★

Metrics and targets

Recommendation: Disclose indicators and targets used in the evaluation and control of climate-related risks and opportunities if such information is important.		
Recommended disclosure content	Relevant Sections in Data Book (★ denotes an appendix)	
a) Metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	<ul style="list-style-type: none"> ●Kirei Lifestyle Plan—Kao's ESG strategy: Mid- to long-term targets-Making the world healthier & cleaner ●Decarbonization: Mid- to long-term targets and performance ●Water conservation: Mid- to long-term targets and performance 	P21 P87 P120
b) Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions and related risks	<ul style="list-style-type: none"> ●Kirei Lifestyle Plan—Kao's ESG strategy: Mid- to long-term targets-Making the world healthier & cleaner ●Decarbonization: Performance in 2019—Scope 1, 2, and 3 CO₂ emissions 	P21 P89
c) Targets used by the organization to manage climate-related risks and opportunities and performance against targets	<ul style="list-style-type: none"> ●Decarbonization: Mid- to long-term targets and performance ●Water conservation: Mid- to long-term targets and performance 	P87 P120



Enriching lives, in harmony with nature.

Kao Corporation

14-10, Nihonbashi Kayabacho 1-chome, Chuo-ku, Tokyo
103-8210, Japan

Published in June 2020